

**STRATEGIC FACTORS AFFECTING UPTAKE OF CAPITAL MARKET'S PUBLIC  
EQUITY FINANCE OPTION AMONGST SMES IN KENYA: PERCEPTIONS**

**BY**

**KAYASI EDWIN EBOYI**

**MASTER OF SCIENCE IN COMMERCE (FINANCE AND INVESTMENT)**

**KCA UNIVERSITY**

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**SEPTEMBER 2025**

**DECLARATION**

I declare that this research Dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

**Student Name**.....**Reg No** .....

**Sign**..... **Date** .....

I do hereby confirm that I have examined the dissertation of **Edwin Kayasi Eboyi** and have certified that all revisions recommended have been adequately addressed.

**Sign:** ..... **Date:** .....

**Prof. Christine Nanjala Simiyu.**

**Dissertation Supervisor**

# STRATEGIC FACTORS AFFECTING UPTAKE OF CAPITAL MARKET'S PUBLIC EQUITY FINANCE OPTION AMONGST SMES IN KENYA: PERCEPTIONS

## ABSTRACT

The uptake of public equity financing among Small and Medium Enterprises (SMEs) in Kenya remains significantly low despite the growing need for alternative capital sources to support business growth and sustainability. This study was motivated by the need to evaluate the strategic factors that influence the adoption of equity financing through capital markets by SMEs. Grounded on the Agency Theory, Resource based theory, and Pecking order Theory, the study specifically assessed the role of corporate governance, technology adoption, and information disclosure in accelerating SME uptake in equity markets. A descriptive and exploratory research design was employed. The study targeted 38 SMEs comprising firms listed at the Nairobi Securities Exchange (NSE) which were classified either in the Alternative Market Segment, or the Growth Enterprise Market Segment. SMEs that were near listing or had sought interest in listing were classified under Ibuka program. Primary data were collected using structured questionnaires, while secondary data were sourced through document reviews. A census approach was used, and responses were analyzed using descriptive statistics and binary logistic regression using SPSS. Diagnostic tests including reliability analysis (Cronbach's alpha), multicollinearity (Variance Inflation Factor), and linearity in the logit were also conducted. Descriptive results showed that SMEs generally exhibited strong corporate governance structures, moderate to high levels of technological adoption, and reasonable compliance with information disclosure practices. However, inferential analysis revealed that none of the three strategic factors significantly predicted the uptake of public equity financing. This may be attributed to regulatory barriers, inefficient capital markets, and investor skepticism toward SME transparency. The study recommends that policymakers and regulators revise listing requirements and enhance market infrastructure to accommodate SMEs more effectively. Capacity-building initiatives should also be undertaken to improve SME readiness for equity financing. Future research should consider broader geographic coverage, adopt mixed methods, and explore additional strategic and institutional variables influencing equity financing adoption.

**KEYWORDS:** *Equity Financing, SME's Financing, Corporate Governance, Information Disclosure, Technology, SME Listing.*

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## **DEDICATION**

This research Dissertation is dedicated to my family for their support and standing beside me during this entire period.

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## ACRONYMS AND ABBREVIATIONS

<b>GDP</b>	Gross domestic Product
<b>GEMS</b>	Growth Enterprise Market Segment
<b>IPO</b>	Initial Public Offering
<b>ISO</b>	International Organization for Standardization
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>MFI</b> s	Microfinance Institutions
<b>MSEA</b>	Micro and Small Enterprises Authority
<b>MSE</b> s	Micro and Small-sized Enterprises
<b>MSME</b> s	Micro, Small and Medium- sized Enterprises
<b>NSE</b>	Nairobi Securities Exchange
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>SACCO</b>	Savings and Credit Cooperative
<b>SME</b> s	Small and Medium-sized Enterprises
<b>WB</b>	World Bank
<b>EMDE</b> 's	Emerging Markets and developing Economies
<b>HIC</b> 's	High Income Countries
<b>TSXV</b>	Toronto Stock Exchange Venture (TSXV)

## **TERMS OF DEFINITION**

<b>Equity Financing</b>	Equity finance is the sum of all funds given to businesses in exchange for a stake in the company. Public instruments, such as equity shares traded on a stock exchange, and private equity tools, which are pertinent to the market for unlisted enterprises, are two examples of these.
<b>Growth Enterprise Market Segment</b>	The Growth Enterprise Market Segments (GEMS) is an NSE category with advantageous listing requirements designed specifically for SMEs. To give SMEs new financing choices, particularly long-term capital, the Nairobi Securities Exchange (NSE) introduced it in January 2013. The category acknowledges that most SMEs have a challenging beginning and allows businesses that have just been in business for a year to be admitted without requiring them to have made a profit. (Mela, M 2015).
<b>Financial Inclusion</b>	Financial inclusion refers to the availability of practical and reasonably priced financial services and products that satisfy the needs of people and enterprises, including credit, insurance, savings, payments, and transactions, and that are provided in an ethical and sustainable manner. (WB, 2022)

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

The overall productivity growth of an economy is greatly influenced by business dynamics, which in turn impacts a nation's capacity to compete internationally. Larger companies usually have a competitive edge because of economies of scale, lower finance costs, and direct access to global value chains, even though small businesses are crucial engines of innovation and growth (OECD, 2013). The dynamics of grouping companies vary with the number of employees, total assets maintained, yearly revenue, and loan size being the four primary factors that can be used to classify a company as small, medium, or large. (Bertanzetti, 2024).

Strategic management practices consider many factors and provide SMEs with a broad direction by defining the organization's goals, such as obtaining equity financing, creating plans and policies to achieve those goals, and allocating the resources required to carry out those plans and practices (Mumbe,2019). An organization's internal and external environments are considered while developing a management strategy through strategic management. According to Esmer (2019), an organization's internal environment exposes its strengths and weaknesses, while its external environment draws attention to possible threats and opportunities. Long-term results, long-term survival, sustainable competitive advantage, and above-average revenue generation are the four objectives of strategic management for businesses. As a business, SMEs have similar objectives which are mainly determined by resources (Adegboyega, 2024).

One of the most important things for SMEs to thrive and survive is raising financing. Strategies to increase SMEs' access to capital vary widely in their success. Although there is a significant financing gap for SMEs in both developed and developing nations, there are major distinctions in their characteristics. The study by Yakubu (2020) determined that the main

funding options for SMEs include government assistance, trade credit, business angels, bank loans, and venture capital funding. According to OECD (2024), the volatility of equity finance, which saw a sharp decline in 2022 after historically high growth in 2021, was also influenced by changes in the funding environment. Additionally, the report outlines the steps governments are taking to enhance access to financing, such as shielding SMEs from rising input costs and implementing long-term structural projects like promoting gender equality in capital access, diversifying financial sources and instruments, and streamlining payments.

Globally, the number of listed businesses has hardly changed over the past ten years, despite the fact that public stock SME markets in advanced nations continue to be the largest in the world by market capitalization (79%). In contrast, between 2012 and 2022, the number of listed companies in emerging and developing nations more than doubled. East Asian and Pacific emerging nations, which make up 49% of all SME listings worldwide, are the main drivers of this growth (Demir, 2024). On the other hand, throughout the same time period, there have been fewer listings in the Latin America and Caribbean and North America areas. The uptake of the Equity Finance option by SMEs through capital markets is influenced by various factors.

The (OECD, 2015) report notes that reviewing the present high costs, regulatory hurdles, lack of liquidity, and trading practices that discourage intermediaries can improve the wider use of public equity for SMEs. To ensure that the freedom granted to SMEs does not jeopardize investor protection, market participant integrity, corporate governance, or transparency, the research suggests striking the correct balance between administrative and regulatory burden and due diligence. Several significant barriers to SMEs' broader usage of public stocks were found in study by Nassr (2016). The study found that regulators and policymakers alike must pay attention to these barriers, which include tax treatment,

educational disparities, lack of liquidity, admittance costs and listing requirements, and limited ecosystems. If these issues are fixed, equity finance adoption may be accelerated.

In Europe the SME sector relies on external financing such as equity financing, venture capital etc., to refine, innovate, and adapt to the digitalization process to remain competitive. A study done by Erika (2022) in Europe established that, SMEs' decisions about equity financing are heavily influenced by the macroeconomic climate, real GDP growth rate, and financial accessibility, particularly in times of crisis like the COVID-19 pandemic. In Sweden High trust levels in society and decentralized management were found to influence SMEs' equity financing, leading to increased innovation activities, especially in product innovations (Viktor, 2023).

SMEs in China continue to face a number of financial challenges, including resource financing and low financing efficiency. According to a study on the effectiveness of debt financing and the factors that influence SMEs in China in 2022, enterprise scale, debt financing quantity, and equity concentration are factors that affect SMEs' equity financing. Another study by Mingjun (2017) established that in contrast to profitability, accumulation, non-debt tax shield, and solvency, enterprise scale, growth, tangible asset ratio, and equity liquidity have a favorable impact on equity financing and speed up its adoption.

In India, Listed SMES have an easier access to Equity Financing compared to unlisted SMES. However, the preference for financing option may not necessarily be in favor of Equity financing even for listed SME's. A study by Sushma (2022) on the effects of firm-specific factors on financing preferences for listed SMEs in India found that no single theory adequately explains the behavior of SMEs in the country. These firm-specific factors include payables, provisions, accumulated profits, short-term borrowings, and long-term debt. The study goes on to conclude that, if the bulk of the variables are statistically significant, other micro-level

variables or macro-level economic factors may have an impact on the listed SMEs' funding choices.

In Ghana (Johnson, 2018) identified several factors including the extent of awareness of the Ghana Alternative Market (GAX) and its benefits among SMEs, the level of involvement of Licensed Dealing Members in development of the GAX, the efforts put in by the Ghana Stock Exchange and Securities and Exchange Commission in promoting the GAX; and the real benefits achieved by GAX listed firms.

In Uganda, compared to large enterprises, SMEs have less opportunities in equity markets. Given the high costs of going public and, consequently, obtaining equity financing, this trend points to a concentration in large enterprises and substantial hurdles to entry for SMEs, according to a May 2023 report from the Institute of Certified Public Accountants of Uganda. According to the paper, legal frameworks should be changed as part of the recovery strategy to make equity investment for SMEs easier. One of the improvements ought to be an approval that would facilitate the process of SMEs issuing capital and make it simpler for investors to obtain information about SMEs.

In Tanzania, the equity market is slowly developing same way the ever changing and growing segment of SMEs but yet very little is documented about it (Olomi, 2015). The study documents that Tanzanian SMEs are becoming more-and-more appealing to investors. Local equity investments, however, are mostly limited to new businesses, when a primary shareholder takes the initiative and extends invitations to neighbors or acquaintances. Foreign-owned equity firms continue to dominate the second stage of external equity.

In Kenya, it is widely acknowledged that SMEs are important economic contributors that provide jobs and a platform for creative thinking. They make up a greater proportion of Kenyan enterprises than their counterparts, the big corporations (Kungu, 2011). The research also demonstrated that there are financial limitations in the SME sector, which were linked to

a financing disparity between larger and smaller businesses. This challenge is only made worse by SMEs' limited access to equity finance and lenders' reluctance to provide funding's in Kenya, which are essential to the country's economic growth and job generation (Kiarie, 2021). Over 7.4 million MSMEs operate in the nation, employing 14.9 million Kenyans across a range of economic sectors and accounting for 40% of Gross Domestic Product (GDP), according to the Kenya National Bureau of Statistics (2016).

Research in Kenya found a comparatively low level of formal equity capital use, pointing out that it would be intriguing to learn more about the function of equity investors and the causes of the SME sector's apparent underutilization of the stock exchange in Kenya. (Mengich, 2013) in a study on uptake of Equity Finance in Nairobi County determined that market accessibility, transaction costs, the legal and regulatory environment, and information availability were important factors influencing the adoption of equity financing.

According to Kenya (2016), SME financing can be classified into three main categories, namely: – Non-Bank Financing, Bank Financing and Shareholding/Equity Financing. The Alliance for Financial Inclusion (2020) report highlights that Equity financing, for MSMEs is premised on the existence of a well-regulated and professionally supported stock exchange, with active participation from institutional and private investors. Given that growth-oriented SMEs typically rely on more elusive assets, equity financing is a significant alternative for raising funds. Long-term investment into SMEs may be encouraged via investment-driven tax reliefs, possibly through the provision of tax incentives (Alloti, 2021).

According to (Nassr, 2016), Tax breaks are, in fact, the most often mentioned incentive by market players such as capital markets Authority, Kenya Revenue authority etc., and instances of these strategies have been shown to hasten the growth of the corresponding equity markets for SMEs. Developed equity markets implies accelerated uptake of Equity financing.

The research by Financial Sector Deepening (2016) showed that only two of the eighteen business owners interviewed had formal equity financing in their company, and one of them said that they had regretted doing so and that formal equity financing had a minimal role among the eighteen businesses interviewed. It seems that the majority of small business owners don't know much about capital markets and how they might be used to raise money. The low usage of equity financing among SMEs is concerning, and research into the elements that can hasten the adoption of this type of financing is desperately needed. This study aims to accomplish precisely that.

### ***1.1.1 Capital markets public equity financing***

Risk capital or money obtained from the capital markets through the issuance of securities like shares is referred to as equity finance (Bodie et al., 2021). It is the process of funding business operations with money from shareholders. Equity finance can be classified into venture capital, private and public equity. The key distinction being that in Public Equity Financing, shares can be freely sold between investors on well-established secondary markets, which boosts liquidity of the investments (Disse, 2020). Stock exchanges do not publicly trade venture capital or private equity investments. Rather, investors communicate directly with the businesses. While private equity and venture capital are better suited for early-stage funding and active investors who are willing to work more closely with management, public equity aims to reach a wider range of institutional and public investors who have less sway over the business.

Capital Markets Public equity financing for SME's involves creating a platform for the SMES access to the stock markets which has been a major focus by most countries. According to Demir (2024) 68% (49 out of 72) of stock exchanges that are members of the World Federation of Exchanges (WFE) now provide specialized SME listing platforms or segments to facilitate entry, which include smaller issuances, lowered fees, loosened profitability

requirements, and modified listing and regulatory requirements, in order to facilitate SME funding.

Limited liability is associated with equity, which is the ownership of an interest in a business. Public offerings of equity securities are subject to the Capital Markets (Securities, Public Offers, Listing and Disclosures) Regulations of 2002. This product is available to potential investors via the Nairobi Securities Exchange's main market, which includes an IPO, rights issue, and secondary market. Since retained earnings and common stock (share capital) are the most prevalent forms of equity that prominently appear on the financial statements of Kenya's listed companies, they are common measures of equity financing options. However, despite their popularity in terms of shareholders' equity of the majority of firms, particularly in Kenya, there has been relatively little empirical focus on these two forms of financing (Achieng, 2018).

In this study, the companies under study fall into two broad categories of either those that are listed or not and so the Uptake of the public equity finance will be determined by the probability of the explanatory variable to influence the listing of the firm. In this case we employ logit model in which the dependent variable's conditional probability is seen as a function of the explanatory factors (Horowitz & Savin, 2001). The model gives the probability that  $Y = 1$  is chosen conditional on a set of explanatory variables. This has been used in a variety of fund studies key among them (Cumming, 2009).

### ***1.1.2 Factors affecting public equity financing uptake***

Several studies have been done to determine the factors affecting Equity financing and have tended to establish a framework for research on this topic. A study by Liao (2024) established a framework for upcoming research on corporate equity finance and highlighted important research features and determinants in SMEs' equity financing. The external environment,

innovation, human factors, company heterogeneity, information transparency, strategy, sustainability, and financial performance are some of the dimensions. These important research features were also used in a study by Eric (2022) who concluded that Flexibility offered to SMEs in the public equity financing area should be consistent with corporate governance, transparency, investor protection, and market participant integrity and that to improve SMEs' access to stock markets, good corporate governance should be promoted, diverse funding sources should be supported by legal, fiscal, and regulatory frameworks, particularly tax laws that offer incentives for debt and equity financing.

Corporate Governance, Information accessibility, Regulatory framework and operational efficiencies have been a recurring factor in most studies such as (Schelhase,2017), (Kawimbe, 2022), (Mengich,2013) and (Raposo,2019). According to (Schelhase,2017) SME boards can help SMEs get more access to financing in two ways: directly by making it easier for them to get public equity financing, and indirectly by encouraging listing companies to enhance their corporate governance and financial reporting procedures, which may make them more desirable to credit-based lenders. In his study Kawimbe (2022) that information accessibility, legal requirements, corporate governance, business governance, and SMEs support platforms were determined through factor analysis to be the characteristics that determine SMEs' listing on the Alternative Securities Market.

Almost similar factors were highlighted in an FSD Kenya report 2016 which stated that although longer-term bank financing and equity and bond financing may be well suited to the capital requirements of expanding SMEs, SMEs cannot afford this type of financing for a number of reasons, such as high disclosure requirements, a lack of collateral, and limited cash flow certainty (Mela, 2015).According to (Carvajal & Didier, 2024), Corporate governance standards for SME offerings and appropriate disclosure are important components of the

enabling listing environment. However, the exchanges must also take steps to encourage SME listings. These measures include reducing listing costs and simplifying governance, disclosure, and performance listing requirements.

A study by Kamurasi (2017) examined the actors influencing SMES participation in the NSE and identified the scope of operation, Systems and processes, and corporate governance requirements on participation of small and medium enterprises on the bourse. The study established that SME businesses created and took advantage of new goods, services, and technology that altered the economy. To expand their operations, they needed outside funding to finance the necessary additional investment with the NSE being an option. Access to public equity Financing by SMES involves listing of these SMES at the stock exchange. In his study (Okello,2018) identified and studied three factors that influenced the listing of the SMES in the stock Market which included Level of Information awareness, Business Profile and Managerial competence.

In a study in Vietnam, (Nguyen 2024) concluded that, there are nine categories of factors that impact SMEs' access to capital, including equity financing in Vietnam, ranging from high to low level of effect. Operational aspects of the business, financial reporting, financial behavior of businesses, social relationships of businesses, enterprise capability, production and business plan, ability to adjust to risks, business owner characteristics, and institutional environment are the factors.

Research on competitive strategies for SMEs, especially those that address topics like the strategic determinants impacting SME access to public equity financing or stock market listing, has been comparatively scant. The purpose of this study is to identify the strategic elements—based on empirical research—that affect SMEs' access to public equity financing options that involve listing on a securities exchange. The variables were chosen following Liao

(2024), who provided a framework for upcoming research on corporate public equity funding by identifying important study aspects and elements in SMEs equity financing. These aspects include strategy, sustainability, information disclosure, company heterogeneity, innovation, human factors, financial performance, and the external environment. The Study therefore settled on three of the dimensions including Technology Adoption (Innovation), Information Disclosure and Corporate Heterogeneity (Corporate Governance)

### ***1.1.3 The small and medium enterprises (smes)***

Small and medium enterprises (SMEs) are those enterprises that employ not more than 250 employees and work on small scale. Small businesses' employment contributions differ significantly between nations. The percentage of businesses with fewer than 20 employees is greater than 70% in the majority of economies; in Ireland, this percentage is 69%, while in Greece, it is over 95%. Small businesses employ fewer people overall; in the US and the Czech Republic, this percentage is about 9%, whereas in Greece, it is about 35%. (OECD, 2013)

According to (Elizabeth, 2022) Sessional Paper No. 10 of 1965, "African Socialism and its Application to Planning in Kenya," which placed an emphasis on African ownership, management of businesses, skills, and cooperative development, is where Kenya's policies aimed at the growth of MSME's originated. As a result of the policies, the Micro Small Enterprises (MSEs) Act No. 55 of 2012 was enacted, establishing a regulatory framework that gave the Micro Small Enterprise Authority the authority to promote, develop, and regulate the MSE sector in Kenya. SMEs account for more than 90% of the workforce and are essential to economic growth and poverty alleviation, according to the Kenya Institute for Public Policy Research and Analysis. Innovation, competitiveness, products and services, and entrepreneurial abilities are all derived from them.

For MSMEs, access to official financial services and products as well as the cost of borrowing, remain obstacle. The cost of borrowing is disproportionately higher for micro and small businesses, according to the Financial Sector Deepening 2015 report. The 2016 MSME Survey, which shows that roughly 9,000 licensed MSMEs and 121,100 unregistered MSMEs in Kenya received credit from the public decentralized business funds, supports the conclusion. One of the main causes of the poor credit availability, according to the survey, is the restricted availability of sufficient collateral. However, there are additional financing options available to SMEs, such as equity finance.

In the context of this study, access to public equity Finance option is synonymous to listing and so in order to get a clear picture of the factors being studied, both SMEs listed and those that have shown interest in being listed will be considered, The Listed SMES are in primary market in the two segments at the NSE (GEM and Alternative Market segment) while those Not listed are in Ibuka Programme. The NSE Primary market has three segments -Main Market Segment, Alternative Market and GEMS. The Ibuka Programme is an incubation programme.

## **1.2 Statement of the Problem**

In most of the Emerging Markets and developing Economies (EMDEs) today, capital-market funding for SMEs is virtually nonexistent. For SMEs, capital markets are more important in High-Income Countries (HICs) and some EMDEs. For instance, through products like minibonds and credit funds, capital markets are emerging as a substitute source of direct-debt financing for SMEs in Brazil, Peru, and Italy (Carvajal, 2025). The study further points out that fintech solutions—specifically, crowdfunding platforms—have been growing quickly in nations like Brazil and Malaysia, enabling SMEs to obtain both debt and equity financing. Even in prosperous nations, many SMEs are heavily reliant on bank loans and typically have a

"financing gap." This financing gap is particularly evident in capital market financing, as most countries, both developed and developing, struggle to finance SMEs through equity money generated by the capital market (Mengich, 2013). For MSMEs, obtaining funding continues to be a major obstacle; in fact, company owners report that in recent years, financing has grown increasingly challenging.

According to the World Bank's 2018 report, the International Finance Corporation (IFC) estimates that 65 million businesses, or 40% of formal MSMEs in developing nations, have an unmet financing need of \$5.2 trillion annually, or 1.4 times the current global MSME lending level. Europe and Central Asia (15%) and Latin America and the Caribbean (23%) are next in line, with East Asia and the Pacific (46%) making up the greatest portion of the global finance gap. The largest percentage of the financial gap relative to potential demand is found in Latin America and the Caribbean, as well as the Middle East and North Africa, where the figures are 87% and 88%, respectively. Approximately 50% of officially recognized SMEs lack access to institutional financing. When micro and informal businesses are included, the financial disparity widens even further. According to (Carvajal, 2025), Despite recent dramatic changes in the global financial environment, small and medium-sized businesses (SMEs) in emerging markets and developing economies (EMDEs) still primarily rely on bank funding, which is frequently scarce and poses a significant obstacle to business operations and growth.

A report on Financial Sector Deepening (FSD,2024) indicates that there are an estimated 7.4M SMES in Kenya yet only 14 have access to Public Equity finance (Listed) and 24 have shown interest in accessing (Ibuka). The report highlights that about 40% of the MSME market in Kenya gets its funding from friends and family, with commercial banks coming in second at 23% and mobile money at 17%. The main motivation for obtaining financing is to grow their operations into new markets (~63%), which is followed by marketing initiatives

(~58%) and the acquisition of new equipment (~40%). The CBK has raised its attention to the MSME sector through a number of lending and credit facilitation initiatives in an effort to promote more bank-led funding. The primary goals of this are to keep banks credit flowing and address the funding demand gap. This Between 2014 to 2017, licensed MSMEs applied for a total of ~KES 707.3 billion in loans, of which ~KES 644 billion (or ~91%) were granted.

According to (Kiarie, 2021), MSMEs reported contacting other groups for assistance in at least 38.3% of cases. They looked to the county and regional governments, banks and other microfinance organizations, Savings and Credit Cooperative societies, MSEA, individuals, well-wishers, and other well-established corporates or businesses for assistance. Many businesses had to face disappointment because support was not easily accessible. A study by Nassr (2016) identified that SMEs need financial education and skills to respond to listing and market requirements, evaluate the suitability of risk finance for their company model, and understand their financing alternatives through capital market instruments. Limitations in education and awareness also contribute to certain SMEs' unwillingness to raise public equity financing because they are afraid of losing control of their company or are disheartened by prior financing instrument rejections.

Many studies have been done on SME's financing and have mostly tended to lean towards Challenges of SMES Financing such as Oppong (2023) study on Problems of Financing SMES in Ghana, exploring difficulties of SMES access to financial services in Indonesian's Sukabumi City (Nugroho, 2023), Drivers to Small and Micro enterprises access to Financing (Karimi, 2023) among others. Other studies have been done restricting to certain regions such as (Mumin, 2018) restricting to Nairobi County on Factors Affecting SME's Access to Financing from Commercial Banks in Kenya, (Kungu, 2011) restricting study to

Westland's and studying on influencers of SMEs access to financing, (Kyalo, 2019) study in Machakos County on factors affecting access to lending among SMES in Machakos etc.

Very few studies have been done relating to Equity Financing of SMES in Kenya. The most notable study done is by Mengich (2013) on the difficulties facing adoption of Equity Financing option by SMES in Kenya with main focus on SMES in Nairobi County. Others include (Noor, 2020) on relationship between Equity Finance and Financial Performance of Garissa County based SMES. (Njagi, 2017) who focused on Embu County etc. There is no evidence that a study has been done on the Equity uptake influencing factors in Kenya and especially with a focus on already listed SMES and those that have shown interest on listing in order to give them access to this type of financing.

A knowledge gap has resulted from this, which needs to be filled. Given this, a study is required to determine the strategic elements that affect the adoption of equity financing by SMEs nationwide in Kenya. By investigating the effects of corporate governance practices, Information Disclosure requirements, and technological use on the adoption of equity financing among small and medium-sized businesses in Kenya, this study aims to close the gap.

### **1.3 Objectives of the Study**

#### ***1.3.1 Broad objective***

The main or primary objective of this research was to investigate the strategic factors that affect the uptake of Capital Market's Equity Finance option by SMEs in Kenya.

#### ***1.3.2 Specific objectives***

The Specific objectives of the study include;

- i. To determine the effect of Corporate Governance practices on uptake of capital market's equity Finance option by SMES.

- ii. To determine the effect of Information Disclosure on uptake of Capital Market's Equity Finance Option by SMEs in Kenya.
- iii. To examine how Technological Adoption affects the uptake of Capital Market's Equity Finance option by SMEs in Kenya.

#### **1.4. Research Questions**

This study sought to answer the following research questions,

- i. Does Corporate Governance practices affect uptake of capital market's equity Finance option by SMES in Kenya?
- ii. How does Information Disclosure affect the uptake of Capital Market's Equity Finance option by SMEs in Kenya?
- iii. Does Technological adoption affect the uptake of Capital Markets Equity Finance option by SMES in Kenya?

#### **1.5 Justification of the Study**

This study was important in helping to evaluate the strategic factors accelerating the uptake of Equity Finance by SMES in Kenya and it was therefore beneficial to various stakeholders. The study's research findings could help the NSE and the CMA determine the degree of assistance that SMEs required in order to be encouraged to access public equity financing through listing. The study's findings on corporate governance, technology adoption, and information disclosure could be used by the NSE and CMA to develop and execute rules that could benefit SMEs. Government would also derive benefit from the findings by getting information helpful in making decisions about future funding and infrastructure arrangements to support SME's growth especially on the planned infrastructure development projects throughout the country.

Potential investors, especially equity investors would find the study very helpful as it would guide their evaluation of the factors relevant to the operations of SMES in order to make

decisions on committing their funds. The factors established as vital would play a key role in generating returns for the investors. It would also help the Government in appreciating the role played by SME's in uplifting the lives of the people, creating employment and improve their contribution to economic growth.

Researchers undertaking additional research on the subject of equity financing among SMEs or other comparable institutions would find the study to be significant. As a result, the study was very important to research institutions, students, and other researchers who would find the results helpful in their own research.

### **1.6 Scope of the Study**

The research focused on the Uptake of Equity financing by SMEs in Kenya. It sought to establish the factors accelerating uptake of Equity financing among SMES and if there are any factors that affect the uptake of Equity finance among the SMES- both listed and unlisted. Although there are several studies done or undertaken by various scholars, special emphasis was placed on the factors accelerating the uptake of the Equity Finance through capital markets authority among SMEs in Kenya and would involve three categories of firms. The categories were those in the Ibuka program, usually interpreted to mean showing interest in listing, the Growth enterprise Market segment as well as the Alternative investment market segment.

The main objective of this study will be to investigate the factors accelerating the uptake of Capital Market's Equity financing option among SME's. Kenya. The study will be conducted in Kenya. The target population will be 38 SMES drawn from various segments as follows; The Nine Firms listed on Alternative Market segment, the five firms listed on the Growth Enterprise and Market segment and the twenty-four firms in the Ibuka incubation programme. The study will take a period of Three months from January 2025 to March 2025.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The literature review is presented in this chapter. In keeping with the goals of the study, a review of numerous works of literature was conducted and debated. The chapter is divided into four sections: conceptual framework, operationalization of variables, empirical literature review, and theoretical literature review. The chapter ends with a summary of the conceptual framework and a discussion of the research gaps.

#### **2.2 Theoretical Review**

##### ***2.2.1 The pecking-order theory***

In 1984, Stewart C. Myers and Nicolas Majluf introduced the Pecking Order Theory, also known as the capital structure pecking order. It seeks to offer a template for how businesses rank their funding options and choose their capital structure. The theory states that when businesses decide on their capital structure, they do it in a hierarchy. Internal financing, also known as retained earnings, is at the top of the hierarchy. Because of the lower information costs involved in debt issuance, managers prefer internal funding over external fundraising, and external funding favors debt over equity (Guizani, 2020).

Businesses want to finance new initiatives and investments using internally generated cash, such as reserves, rather than relying on outside borrowing, which comes with added transaction expenses. It's also practical because the business doesn't have to approach outside investors (banks, organizations, and shareholders) to obtain approval. Businesses will then issue debt to utilize existing facilities, obtain new bank loans, or issue bonds of some kind if internal financing proves inadequate. Businesses can secure funding through debt without relinquishing control or ownership. Finally, According to Tejos & Larre, (2021) issuing new

equity with agency fees, bankruptcy costs, and information asymmetries having minimal impact on the capital structure policy is viewed as a last resort because it may dilute ownership and necessitate splitting control and profits with new investors.

The financial management of SMEs should be examined in light of this financial theory. When Myers (1984) looked at the pure pecking order (PPO) theory of corporate financing, he discovered that it was insufficient to explain the behavior of corporate financing. In an effort to address the capital structure conundrum, Myers developed what he called "the modified pecking order" (MPO) financing theory. He identified two key elements that might prevent the capital structure order suggested by PO theory from functioning: the existence of information asymmetry and financial distress. The order of preference for capital structure may alter as a result of these two financial circumstances. According to the pecking theory, managers have greater access to knowledge about the company's financial standing and anticipated operational success than external stakeholders, which might have an impact on their financing choices.

The proponent of the theory made several assumptions, one of them being that firms have the ability to freely issue debt and equity. The theory has been applied in several studies relating to SME's financing such as (Okello, 2018), (Siekei,2019), (Kamurasi,2017), (Bakhash ,2024), and (Mutula,2024). According to (Miglo, 2022), the assumption that firms can freely issue debt and equity is not true for most SMEs and so he observes that pecking order has less support among SMEs than among large firms. A study by Oyedukun (2022) supported the theory when it established that improvement in returns on equity of the firms significantly leads reduction in gearing.

According to the pecking order concept, the study also discovered a negative relationship between gearing and return on equity and retention ratio. This theory acknowledges that business owners must first look towards internal and external sources to

finance their operations, but most SMEs are not able to access financing. It also suggests that debt financing is the best option for SMEs to rely on if they are in financial distress, rather than equity (Sichone, 2023). In his study (Colombo, 2023) established that Startups primarily use resources created internally and the founders' cash to fund themselves, demonstrating adherence to the pecking order. Nonetheless, the study found that government subsidies and angel investors were present, in contrast to the lack of bank debt.

The pecking order theory was used in this study to explain why SMEs are taking so long to adopt equity funding, mostly through listing. Because it explains why businesses, particularly SMEs, choose to employ internal finance first, debt second, and equity last, the Pecking Order Theory (POT) is helpful in this study and in SME financing. Therefore, this idea is important since it tends to explain why SMEs in Kenya don't use equity funding very often.

### ***2.2.2 Resource based theory***

Resource Based Theory (RBT) was established by Edith Penrose's in 1959 and refined during the 1980s and early 1990s. Jay Barney's work was crucial to the development of RBT later in the 1990s. Barney (1991) developed the theory on the basis of the idea that a corporation is better positioned for long-term success and higher performance when it has access to valuable and limited resources. Penrose (2009) improved the Resource-Based Theory (RBT) providing a model for managing organizations' resources, diversification strategy, and productive prospects (Penrose & Pitelis, 2009).

The resource-based approach, which has its roots in industrial organization economics, contends that a firm's distinct resources and capabilities, in addition to resource and market requirements, are what create competitive advantage. A company's competitive edge stems from these special assets and skills. The three main ideas of the resource-based paradigm are capabilities, intangible resources, and tangible resources. Capabilities are the things that an

organization can do, whereas resources are the things that an organization owns. More precisely, skills are the company's capacity to combine, manage, or utilize resources in any way that adds value and, ideally, gives it an edge over rivals. This includes bolstering efforts to obtain equity financing.

Financial resources are monetary components in a variety of forms, such as cash, operating profit, earnings, and others, according to (Din, 2018). Physical resources include things like buildings, machinery, land, equipment, and other tangible, non-monetary elements. The list of resources includes relational resources, which describe the legitimacy, credibility, or quality of relationships with external parties, such as reputation, brand, and relationships with the government and distribution system, as well as technology resources, which describe the company's ability to convert inputs into outputs, such as patents, manufacturing technology, etc.

Accessibility to Equity financing by SME.s enables them to enhance their operations and obtain competitive advantage over the others. According to (Owusu, 2017), the resource-based perspective idea, finance is the company's lifeblood and the key to its expansion. (Lockett, 2009) notes that since market competition is how firms build their resources, the markets and strategies a firm uses to compete now will have the biggest impact on the firm's resource base in the future. According to (Utami, 2023), By examining the primary limited resources, such as the advantages of ICT use within the company, resource-based theory offers an alternate explanation for the sources of a company's competitive advantage that enhances strategy as the positioning perspective.

A study by Utami and Alamanos (2022), highlights that RBT's limitations originate in its inability to account for favorable external resources like financing from financial institutions. It is also difficult to articulate how and why certain entities thrive in a market that

is unpredictable and highly volatile. Furthermore, RBT ignores external factors that could enhance a company's competitive advantage, assuming that only internal variables, like SME conditions, are required to provide an advantage.

This study conceptualizes that uptake of equity financing means accessibility to vital resources for SME's. These resources include Finances, ICT infrastructure and human capital resource. An SME firm's use of its financial resources, which leads to better performance and efficiency, is significantly influenced by its human capital. The theory has been applied in a variety of other studies key among them a study by (Kamurais, 2017) on strategic elements affecting small and medium-sized enterprises' involvement in the stock exchange.

In this context, tangible resources to be provided through equity financing are very critical for the acceleration of growth of SMES; however, key intangible resources such as, corporate governance practices, the skills and capabilities of their human capital as well as are something that can dictate and/or facilitate the uptake of equity finance by SMES. Thus, A good theoretical framework for the empirical investigation of the factors influencing SMEs' quicker access to equity finance is offered by the Resource Based View.

### ***2.2.3 Agency theory***

Jensen and Meckling created the notion of agency in 1976. They proposed a hypothesis explaining how conflicts of interest among a company's management, owners (shareholders), and significant debt financing providers form the basis of its governance. According to their definition, an agency relationship is a type of agreement in which the owners, acting as the principle, designate an agent, the managers, to run the business on their behalf. The owners are required to give the management decision-making authority as part of this arrangement.

Agency theory in the context of SMEs refers to a scenario in which the owners of the company are joined by additional stakeholders, including workers, investors, and anyone who

may have a stake in the company. The agency hypothesis assumes that the small business owner does not participate in day-to-day operations because the business manager, acting as the small business owner's agent, is primarily responsible for this (Serame, 2019). According to (Mitnick, 2019) Ross presented the study of agency in relation to pay contracting issues; agency was essentially viewed as an incentive issue.

Agency Theory foresees what the proponents have dubbed "agency conflicts," which are disagreements between the owners' and managers' interests. According to the notion, self-interest drives both the principal and the agent. This presumption of self-interest condemns agency theory to unavoidable inherent conflicts, meaning that agents are likely to pursue self-interested goals that diverge from and even clash with the principal's purposes if both parties are motivated by self-interest. However, it is assumed that agents will act only in their principals' best interests. According to (Yahya, 2016), Due to the lack of separation between ownership and management, the agent-principal conflict is virtually nonexistent in small enterprises.

However, insider-outsider capitalist conflicts are common in these kinds of businesses. Three primary categories of agency conflicts in SMEs were identified by this study: overinvestment (free cash flow), asset substitution (risk shifting), and underinvestment (debt-overhang). Several studies have on Financing especially equity financing have used this theory. These studies include (Kamurasi,2017) when studying on elements affecting SMEs' involvement in the stock exchange and (Mukhibad,2024) in a study on Equity Based financing relationship with Corporate Governance in Sharia compliant Islamic Banks in Indonesia where it was established that Islamic Bank with a large number of members on the Sharia Supervisory Board will have significant resources available and allocated to exercise oversight and avoid risky policies. Other studies include (Karugu, 2018), (Siekei, 2019), (Gathara, 2019) etc.

In this context, SMEs of all sizes should use external auditors to reduce agency conflicts and enhance internal control, corporate governance, and the quality of financial statements. This is intended to increase openness and speed up the companies' listing so that equity financing is easily accessible. Government and regulatory agencies can strengthen corporate governance structures in SMEs by providing appropriate frameworks that allow them to actively participate in decision-making, which will result in effective monitoring and access to opportunities. This is because most SMEs have weak and haphazard corporate governance structures compared to larger firms because of concentrated family ownership. (Yahya, 2016).

Agency theory is useful in the study on Equity financing in SMES because it can help find strategies to lower company risks and align the interests of all stakeholders, including equity providers and onboarded shareholders. It can also act as an important consideration and guide to help in enhancing good governance and avoid conflicts between the various stakeholders in the business.

#### ***2.2.4 Financing life cycle***

Berger and Udell (1998) created the financial growth lifecycle theory. According to the finance life cycle hypothesis, a company's funding requirements and tactics change as it progresses through its startup, growth, maturity, and recession phases, and this is strongly correlated with the size of the company. According to (Muturi, 2019), It is common for the entrepreneur's personal savings and funds, as well as those of family and friends, to provide investment in the early phases of the business. This is because the company frequently doesn't have a workable product, clients, or steady income at this point (Onyiego et al., 2017).

The theory offers a framework for matching a company's changing financial requirements to particular financing options at every stage of its existence. It also helps firms modify their financing strategies and improve risk management. Each stage of a company's life

cycle is marked by a distinct financial demand and evolving debt throughout time, according to the majority of research (La Rocca, 25). However, Critics have expressed disapproval of the oversimplification of the intricate business and financial approach presented by the theory and that it might not be suitable for the majority of SMEs because, in the early stages of development, a new business starts with an idea and, as it lacks retained revenues, it may rely heavily on outside funding (Muturi, 2019).

Firm size is a crucial component of the life cycle theory since it directly affects a firm's informational transparency and, in turn, its capacity to obtain various forms of funding, making this theory applicable to the study. As a company ages and increases in size from Small to Medium size and later large, its finance strategy must change, shifting from short-term, internal possibilities such as friends and family to more intricate and varied external capital sources such public equity financing. It will assist in identifying the kind of financing suitable for each stage of the firm's development. According to Muturi (2019), the financing requirements of SMEs are heavily influenced by their stage of growth.

### **2.3 Empirical Literature Review**

A review of earlier empirical research pertaining to the factors being discussed is included in this section. Instead of relying on theory or belief, empirical review draws knowledge from real-world experience by seeing and measuring phenomena.

#### ***2.3.1 Corporate governance practices and uptake of public equity finance***

In order to ensure effective and responsible business operations, protect stakeholder interests, and promote sustainable growth through access to capital, including public equity financing, corporate governance for SMEs focuses on creating clear structures of authority, accountability, and decision-making. According to (Harwood & Konidaris, 2015), Compared to the main board, SME exchanges frequently have lower governance standards. For instance,

AIM has no official corporate governance rules, Brazil's Bovespa Mais has lowered board requirements, and South Africa's alternative market (JSE AltX) businesses are exempt from all of the King Code of Corporate Governance's obligations. Others that have strict issuer governance criteria, like India's NSE Emerge and Canada's TSXV, do not lower their standards in comparison to the main board.

A company's corporate governance aims to draw in equity investors, reduce and mitigate agency risk, and address agency-related issues, all of which are anticipated to significantly affect the firm's cost of equity. The relationship between corporate governance and Cost of Equity was established in (Zandi, 2022) with the conclusion that companies with inadequate corporate governance typically have higher equity capital costs than those with good corporate governance frameworks. A study by (Haque, 2015) discovered evidence that corporate governance equality has a favorable impact on equity finance, supporting the idea that businesses should increase their voluntary engagement and legal compliance in corporate executive leadership matters. According to the study's findings, improved corporate governance lessens the knowledge asymmetry between external investors and controlling shareholders, which improves a company's ability to get equity financing. A direct relationship between governance and equity financing was also established in study by (Mande, 2012) demonstrating that the more proper governance there is, the more likely it is that stock will be issued.

Financial performance is affected by corporate Governance practices. The study by (Nasrallah, 2021) indicates favorable relationship between financial performance and corporate governance. The study concludes that higher financial performance is the outcome of excellent corporate governance, and successful businesses typically enhance their corporate governance.

This plays an important role in securing Equity finance by an SME as investors express interest in firms that are capable of generating the much-needed returns on their investment.

Generally, good corporate governance practices are important and financing decision on whether to use debt or equity Financing is critical. According to (Tetteh et al., 2022) In a highly dynamic environment where investor demand and governmental regulations change frequently and quickly, SMEs need to align their financing choices. with a broader perspective of good corporate governance. Managers of SMEs in particular must understand the critical role that corporate governance mechanisms play in realizing the value of financing options to meet investor demand and regulatory requirements. In general, creditors, investors, and consumers like doing business with companies that are somewhat transparent and organized.

Due to their preference for investing in the form of equity and becoming shareholders in the company, investors can be extremely picky about governance structures. Typically, they need a clear governance structure that gives them an opportunity to participate and have an impact on decision-making. They can also obtain the information they need thanks to this. In his study, (Harwood & Konidaris, 2015) notes that even with stringent governance guidelines, investors in SME equity may not be significantly harmed by reducing certain corporate governance requirements, such as the requirement for an audit committee or the number of independent directors. However, other reductions, such as those pertaining to mandatory tender offers or the requirement to disclose significant and insider holdings on related party transactions, may have an impact on a company's value and the rights of minority shareholders.

Small and Medium sized firms intending to access equity capital markets should pay attention to their corporate governance practices. This is according to (Mande, 2012) who observes that companies with high agency costs would find it easier to access the loan and equity markets by investing in corporate governance systems. However, the costs of making

changes to the governance structures might be high thereby affecting adoption of proper governance structures. SMEs should carefully balance the expenses of improving company governance (such as changing the board structure and/or auditor) against the advantages of gaining better and more affordable access to equity markets in the years before obtaining finance. As corporate complexity rises, the traditional governance function of supervision and control will become increasingly necessary. More significantly, in order to support future expansion, the SME would normally need funding. More autonomous corporate governance structures become more logical from a commercial standpoint if that funding is to be provided in the form of equity. (Ryabota, 2019).

Certain aspects of corporate governance such as Board Composition have effects on Uptake of external financing including Equity Financing. A study by (Kuah, 2024) found that SMEs' decisions to ask for funding are inversely correlated with the size of their boards, the tenure of their chairmen, and the presence of non-family members. The likelihood that the SME may decide to request for outside funding increases with the number of male board members. Nevertheless, the study concludes that a SME's decision to ask for outside funding is unrelated to the frequency of board meetings. The study's findings are backed by a study by (Javaid, 2023) who showed the statistically significant direct influence of institutional ownership, management ownership, CEO/chair duality, board size, and board composition on the financing decisions of the company. Nonetheless, managerial ownership, institutional ownership, and the CEO/Chair duality all have a big indirect impact on the capital structure choices made by the company.

In Indonesia, a study on Equity based financing on Islamic banks in Indonesia by (Mukhibad, 2024) finds that Equity-based financing is negatively impacted by an independent

board of directors and the size of a Shariah Supervisory Board. On the other side, equity-based finance benefits from the Board members' educational backgrounds.

Taipei has made huge strides in ensuring public equity finance uptake by SMEs through enhanced Governance guidelines noting that Governance is a key element in Equity Financing. According to the WBG Compilation of Exchange information report, all SMEs in Taipei must self-evaluate and/or have their corporate governance evaluated by an outside party. All listed companies must have a remuneration committee, and by 2017, independent directors and an audit committee are required for all listed companies with paid-in capital exceeding NT\$10 billion (Harwood & Konidaris, 2015).

In South Africa, there are deliberate efforts to encourage the uptake of Public Equity Finance by SME's through loosened governance guidelines .According to (Harwood & Konidaris, 2015), The board requirements for South Africa's Alternative Exchange (JSE ALTX) are the same as those for the main board, with the exception that there must be at least three (or 25%) nonexecutive directors; a separate CEO and chairman are not necessary; an audit committee must be appointed; and a designated advisor (DA) must be invited to observe committee meetings.

Raising money through equity is becoming more and more common for rapidly expanding SMEs in East Africa. According to (Gatukui, 2014), More and more SMEs are asking investment funds and new partners to purchase stock in their businesses. In order to prepare for future fund-raising, it is then wise to establish appropriate management and governance processes. The purpose of the fundraising efforts is to raise money for the organization's advancement and commercial expansion. In his study (Ryabota, 2019) notes that a rise in the number of shareholders requires increased formality in the corporate governance

procedures when the capital is in the form of equity. The governance of the corporation begins to resemble traditional corporate governance, which includes a board of directors.

### ***2.3.2 Technological adoption and uptake of public equity finance***

The ability of corporations to innovate is a key component of economies' long-term prosperity, and SMEs support technical advancement by bringing ground-breaking inventions to the market. Access to equity financing and any form of financial support and innovation development are inextricably linked. Therefore, securing funding sources is crucial (Liao, 2024). SMEs are the least equipped to develop digital capabilities, with only 20–40% having an IT policy in place, 65% having a website, and fewer than 25% using cloud computing, according to the 2018 Report on How to Grow Manufacturing and Create Jobs in a Digital Economy report.

To enhance their production capacity and stay competitive in the global market, SMEs must narrow the digital divide before they can use digital technologies (Banga, 2018). Technology-adopting businesses are more likely to draw equity investors, according to (Carvajal & Didier, 2024), who found that equity financing has financed a small number of Agri-SMEs, including major, well-established Agri-SMEs like regional food and beverage producers or SMEs that leverage technology (agritechs). Equity financing can increase an organization's risk tolerance for technological innovation and is more forgiving of its failure and unpredictability than debt financing (Zhang et al., 2019). This study supports the notion that risk-averse businesses can be endogenously encouraged to become risk-preference businesses through equity financing with a high-risk tolerance.

The Sage 2023 report finds that promoting the use of digital technologies to assist SMEs is crucial, as 63% of SMEs say that these technologies are critical for making the environmental reporting process easier for them. 73% of SMEs, however, expressed concern

about the initial costs of reporting, which include expenses for hiring, relocating, or upskilling employees, purchasing technological solutions, and interacting with outside vendors. This highlights a significant adoption concern, according to the survey. This implies that reporting rules should be made simpler and more SMEs-friendly. The findings in (Zhang et al., 2019) showed that in terms of both economic uptrends and downtrends, equity financing—which has a higher risk tolerance—has a more favorable effect on innovation than debt financing, and government efficiency is a major factor in fostering technical innovation.

A study by (Carvajal & Didier, 2024) concludes that Governments must modify their interventions in light of the new risks and rewards associated with the growing use of financial technology, or fintech, in financing SMEs. Through greater automation and digitization, fintech solutions have the potential to lower the high transaction costs and allow for scalability in SME public equity funding. Fintech solutions, however, do not address every barrier to financing for marginalized SMEs.

Adoption of information and communication technology (ICT) eases financing terms by reducing information asymmetry between lenders and borrowers. The findings by (Mushtaq, 2022) confirm that Information imbalance between investors and SMEs is lessened by ICT adoption. As a result, equity investors and financial institutions such as banks are more inclined to give equity, credit or fund initiatives, and meet the working capital requirements of creative SMEs. Because investors and bank's view ICT use as a sign of a company's readiness to innovate, businesses that utilize it extensively are less likely to face financial restraints.

A study by (Pellegrina, 2017) revealed that businesses that use ICT more frequently are eligible for improved lending terms from large multinational banks and by extension tend to attract equity investors. The findings demonstrated that equity investors and institutions such as banks frequently give these businesses larger amounts of credit or equity capital as a

demonstration of their readiness to innovate. Similarly, Public equity Financing is also impacted by corporate innovation (Liao, 2024). Corporate equity finance benefits from iterative technological advancements, which increase financing's convenience and transparency.

In Pakistan, the absence of government regulations pertaining to ICT adoption by SMEs results in a lack of financial and national regulatory assistance. According to (Nazir, 2022) ICT adoption is further hampered by SMEs' inability to secure technology upgrade loans at reduced interest rates. A study by (Rehman, 2023) establishes that equity and bank credit supplies for small and medium-sized businesses (SMEs) in Pakistan have significantly benefited from the adoption of blockchain technology, Big Data technologies, which include cloud computing, data analytics, algorithms, and programming, and mobile banking technologies.

However (Ismanto, 2023) sees technology adoption from a different angle noting that MSMEs' credit performance to investors and at banks declines when fintech makes credit easier, which opens the door for MSME credit. It follows that the financial services regulator should further restrict online lending by fintech firms that have increased the burden on MSMEs with high capital expenses, which may impact their capacity to make bank loan payments. (Rahadian, 2023) notes that attitude toward using technology was unaffected by perceived ease of use, whereas perceived usefulness was impacted by perceived ease of use. Attitude toward Using was influenced by the component Perceived Usefulness, and the behavioral intent to use the technology is influenced by Attitude toward Using.

A study by (Gessa, 2023) revealed that majority of SMEs cited the present business environment, technical obsolescence, and the inclusion of digital transformation in their respective agendas as important concerns when arguing for the implementation of ERP systems. According to him, using ERP to manage SMEs enhances the caliber of their decision-

making processes and contributes to their success including the decisions to obtain public equity finance.

In the United States (USA) a study by (McElheran, 2024) revealed that Certain elements of startup funding have been connected to firm technology trajectories. Similarly, In Europe Previous research has demonstrated that equity financing eases financial restrictions and has a favorable influence on SME innovation. According to (Ström et al., 2023) SMEs that rely significantly on equity funding are perceived as being more inventive in European countries, and product developments also strongly rely on equity financing.

In New Zealand, a study by (Tongsuksai, 2023) identified a new environmental feature that applies to cloud ERP adoptions: government financing support. This funding's goal is to incentivize SMEs to use cloud ERP and other IT tools to manage their operations and allow employees to work remotely. Such government support is thought to be essential for SMEs to embrace cloud ERP. According to (Alnsour,2023) the perceived usefulness, consumer inventiveness, and convenience of use all influence the adoption of Islamic financial technology services. On the other hand, it has been noted that a number of other criteria, including operational, legal, security, and financial risk, do not significantly influence how much Islamic financial technology is accepted by consumers of Islamic banking services.

In Korea, The Kosdaq market, which focuses mainly on SMEs, has strong liquidity and a daily average trading volume of almost KRW 10.1 trillion (as of January 1 to November 20, 2023). In 2023, it exceeded the trading volume of the main market Kospi, which is KRW 9.7 trillion. Adoption of technology is one of the main reasons for Kosdaq's success. According to (Demir,2024) The exchange is exerting various efforts to attract liquidity from a diverse range of investors including domestic and foreign institutions such as long-term funds. As part of the initiatives, they identified promising companies with outstanding technological prowess as "Rising Stars," and launched the Kosdaq Global segment – a league of top-tier companies.

Although financial institutions and equity investors have used big data and artificial intelligence to anticipate outcomes for short-term working capital loans and equity financing, they have not yet used these tools for longer-term financing (Carvajal & Didier, 2024). Crucially, the use of fintech also presents fresh challenges that may limit access to funding for public equity. Fintech, for instance, might make competition, consumer protection, data privacy, and cybersecurity threats worse.

### ***2.3.3 Information disclosure and the uptake of public equity finance***

The success of an SME exchange in guaranteeing more listings depends on closing the information gap between issuers and investors, which is often greater among SMEs (Harwood & Konidaris, 2015). Since most SMEs lack an ideal internal governance system to disseminate information to the public, rational investors would rather invest in publicly traded companies than unlisted ones (Liao, 2024). The disclosure requirements for SMEs seeking listing, according to World Bank reports, usually include basic financial information such as the Statement of Financial Position, income statements, cash flow statements, ownership structure, key management details, and sometimes additional Non-Financial (Sustainability) related information about business operations, governance practices, risk factors and more recently sustainability initiatives disclosure.

Depending on the market and regulatory framework, these requirements may be less strict than those for large corporations because SME operations are typically smaller and to promote greater access to capital markets. Other disclosure standards can be changed to save time and money, even though content disclosure is rarely decreased. According to (Harwood & Konidaris, 2015), Some of the loosened disclosure requirements for SMEs on various exchanges to encourage uptake of public equity Finance include extending the time allotted for report preparation, decreasing the frequency of reporting, requiring just online reporting via

exchange websites, and eliminating the need for paper reports. While Poland's NewConnect demands semiannual reporting as opposed to the main board's quarterly requirement, India's NSE Emerge requires SMEs to report every six months.

Accessing public equity finance by SMES requires them to appeal to rational investors who often are attracted by the disclosure of information. The importance of information disclosure in Equity finance option adoption is emphasized in (Song et al., 2016) who noted that financial constraints can be lessened and equity investment in SMEs can become more accessible through transparent information sharing. (Liao, 2024) established that providing equity finance by investing in publicly traded SMES is preferred by rational investors over unlisted SMEs. This is mostly because unlisted SMEs don't have an ideal internal governance system in place for disclosure to the public.

According to (Demir,2024), the establishment of disclosure and regulatory requirements for listed companies can help SMEs grow and develop, improve their access to funding, and increase their long-term success by increasing transparency, attracting more investors, reducing information asymmetries, encouraging good governance, and increasing market efficiency. However, SMEs may find the regulations complicated, costly, and challenging to understand, especially if they lack the necessary resources or expertise. These shortcomings are often addressed through the use of nominated advisors who according to (Harwood & Konidaris, 2015) assist SMES meet their disclosure requirements. This seems to have been identified and discussed by (Carvajal & Didier, 2024) who established that by concentrating on private markets and permitting SMEs to access capital directly, without invoking the information disclosure and governance requirements of a public offering, the enabling environment for equity financing can be developed.

Disclosure of non-financial information is equally important as that of financial information. This has come to be known as sustainability disclosures or reporting. According to (Plessis,2016), In order to ascertain whether companies are "good corporate citizens" and pursuing long-term sustainable growth, investors and the general public (mainly through activist groups) began to put increasing pressure on them to publicly disclose non-financial information over time to attract equity finance as equity concentration and corporate social responsibility are linked, giving listed and public corporations a particular ability to reveal information in regards to their CSR initiatives (Socoliuc, 2020). Although they frequently lack the tools and knowledge necessary to properly assess and report their activities, SMEs are keen to share their progress with stakeholders and are incorporating sustainability into their operations more and more (Sage report, 2023).

A study by (Penerbit, 2020) established that, SMEs must supply both financial and non-financial data because they are crucial to Sustainable Development (SD) but yet there are a number of limitations, including undercapitalization making small and medium-sized businesses to prioritize short-term financial gains over sustainable development initiatives (Mwasiaji, 2020). A study by (Kingori, 2024) observed a positive correlation between the ownership arrangement including equity owners and environmental disclosures, suggesting that a company's chances of improving environmental disclosure increase with the concentration of equity ownership by a single institution holding more than 50% of its shares. According to the study, the best option for increasing environmental disclosure is institutional ownership.

A study by (Girella, 2019) notes that SMES can actually improve their image and become more recognizable on the market, have easier access to financing and credit capital, foster relationships with different kinds of stakeholders, and gain a better positioning within

the value chain of the industry they operate in by sharing information about their organizational features and contexts, strategy, governance, and relationships with stakeholders. They can also share information about the processes they have used to identify and prioritize material issues.

In Europe, the strongest determinant of adoption of disclosure requirements is the access to public equity finance through listing of the firm or issuance of equity. Disclosure is a key determinant for accessing equity financing in the Euronext Free Market despite it having a very lax disclosure regulations with hardly any other information middlemen. According to (Lardon, 2014), Firms that are likely to benefit from disclosure in a semi-regulated environment are more likely to disclose financial information; these firms include those that are younger, operate in a high-tech industry, issue new equity, have a higher free float, have better accounting performance, and pay dividends.

In Brazil, it is estimated that the total estimated financing gap for SME's ranges from 54.29% in 2014 to 87.5% in 2016 (Veiga, 2019). The São Paulo Stock, Commodities and Futures Exchange (also known as B3 S.A. - Brassil, Bolsa, Balcao) presently offers a number of distinct trading market segments, including the traditional stock exchange and over-the-counter markets, as well as the special trading segments "Level 1," "Level 2," and "New Market" (Novo Mercado), "Bovespa Mais," and "Bovespa Mais Level 2," which permit the trading of securities of listed companies. The vast majority of initial public offerings (IPOs) take place in the most prestigious section, known as the "New Market" (Novo Mercado), which has the most governance standards. Small-cap and entry-level businesses are the target of the latter two divisions ("Bovespa Mais" and "Bovespa Mais Level 2"), which also permit pre-IPO trading.

The disclosure requirements vary with the level as reported in (Mela, 2015) who observes that the standards for the various segments of the stock market get increasingly

stricter. While level 1 mandates that businesses use methods that increase the degree of public disclosure to international norms, the conventional market is solely in line with Brazilian law adopting a less strict disclosure requirement. To encourage the uptake of Public Equity financing in Brazil, the SME exchange allows longer time for preparing financials where, in contrast to main board firms, which have 45 days to produce reports, SMEs in Brazil have 60 days. This also applies to Canada where Toronto Stock Exchange Venture (TSXV) permits SME's quarterly reports to be produced 15 days later and annual reports to be produced 30 days later. This aimed at the listing of the firms.

In China, the registration-based initial public offering (IPO) system, which relies on sufficient information disclosure by SMES rather than extensive regulatory oversight, has been fully embraced by the Beijing Stock Exchange (BSE) as a more market-oriented and economical listing process. The BSE aims to build a bespoke SME's IPO system similar to those of Star Market and ChiNext to enhance information disclosure. According to (Lu, 2022), The recent advancements of China's innovation-focused businesses have led to an improvement in the information disclosure regulations.

In Zambia, A study by (Kawimbe 2022) established that availability to information is crucial to listing, and that a regulatory framework that is sympathetic to small and medium enterprises will encourage them to list. The study highlighted Information disclosure as one of the factors noting that in order for the Securities Commission of Zambia to expand the existing alternative securities markets for SMEs, the following factors must be considered as the final determinants for the listing of small and medium businesses: corporate governance, regulatory requirements, information accessibility, and support for SME platforms. SMEs must possess a thorough understanding of the market in order to be listed in Zambia's Alternative market section.

For small and medium-sized enterprises, informal information sources are essential. When choosing whether or not to register SMEs with the AIM, information accessibility is a crucial consideration. The findings are closely related to those of (Chilembo, 2021) who concluded that SMEs in Zambia are urged to enhance their documentation and disclosure of business information. Information about SMEs' operations, including financial flows and profitability levels, must be documented. Formal audits conducted by reputable and certified audit organizations can operationalize the documenting of corporate information. The availability of this data guarantees that many possible investors, including Equity, angel and venture capitalists, will be able to fund these small and medium-sized enterprises.

According to the Capital Markets Authority (CMA) regulations and the Nairobi Securities Exchange (NSE) listing rules, listed SME firms in Kenya must disclose comprehensive information about the issuer's identity, business operations, financial position, ownership structure, material contracts, and any noteworthy events. Firms must adhere to stricter accounting requirements and provide complete disclosures of their operations in order to access public equity financing through being listed on the NSE (Mengich, 2013). The "Growth Enterprise Market Segment" for SMEs is given particular attention, as their disclosure requirements may differ slightly from those of larger listed companies. Strong disclosure laws are necessary because, in reality, investors will avoid markets and companies with disclosures that are thought to be incomplete. According to (Mela, 2015), The increased scrutiny and disclosure requirements that come with entering a public market to access equity financing may appear unappealing to many entrepreneurs. These factors, whether real or imagined, contribute to the listing's limited appeal to Kenyan SMEs

#### ***2.3.4 Firm size and the uptake of public equity finance***

The assets that an organization has, its revenues as well as market reach determine its size. The strategic design, organizational structure, organizational access to people and financial resources, and susceptibility to shifting market conditions are only a few of the ways that smaller and larger firms vary from one another. Different criteria are employed to categorize a business. According to (Ridho,2021), A company's size can be classified as large, medium, or small based on a number of factors, including its total assets, total sales, and production capacity. The likelihood that a corporation has robust resources to execute its operational activities increases with its size.

According to (Lafuente 2020), firm size is an important factor that contributes to the explanation of why some companies have accessibility to more resources than others (the inconsistent distribution of resources) and why the arrangement of current resources and capabilities (the competitive edge building blocks) affects businesses to varying degrees. When it comes to finance, large businesses have an easier time than small businesses. The study also finds that a company's likelihood of utilizing foreign capital grows with its size, mostly because large companies require large sums of money to maintain their operations, and using foreign capital is one option if their own capital is insufficient.

According to (Martina,2015) Leverage and firm size are negatively correlated, although the effects of firm size on short-term and long-term leverage varies. Firm size and short-term leverage have a negative but non-statistically significant association, while long-term leverage has a positive but non-statistically significant link. The size of the business may not always determine the value of the accompanying. According to (Zunaidaih,2024) It has been shown that the firm size variable has no effect on the company's worth in the real estate, building projects, and property industries.

One significant control variable that may have an impact on the adoption of debt or equity financing is a company's size. The transaction expenses that are mostly associated with the issuance of long-term debt or the acquisition of equity may be lower for larger companies. Because of economies of scale, big businesses can issue long-term debt more readily than small businesses (Vural,2016). Therefore, it makes sense that large companies will have a higher long-term debt to shareholder equity ratio than small companies. Short-term debt is preferred by small businesses. Additionally, it would be simpler for big businesses to recruit analysts to share information with the public than it would be for small businesses. Furthermore, big businesses would have a lower chance of default and a lower cost of bankruptcy. When a small to medium-sized business has little discretionary spending, it has a high concentration of bank debt. On the other hand, a big company has a lot of bank debt that is hard for outsiders to see.

## 2.4 Conceptual Framework

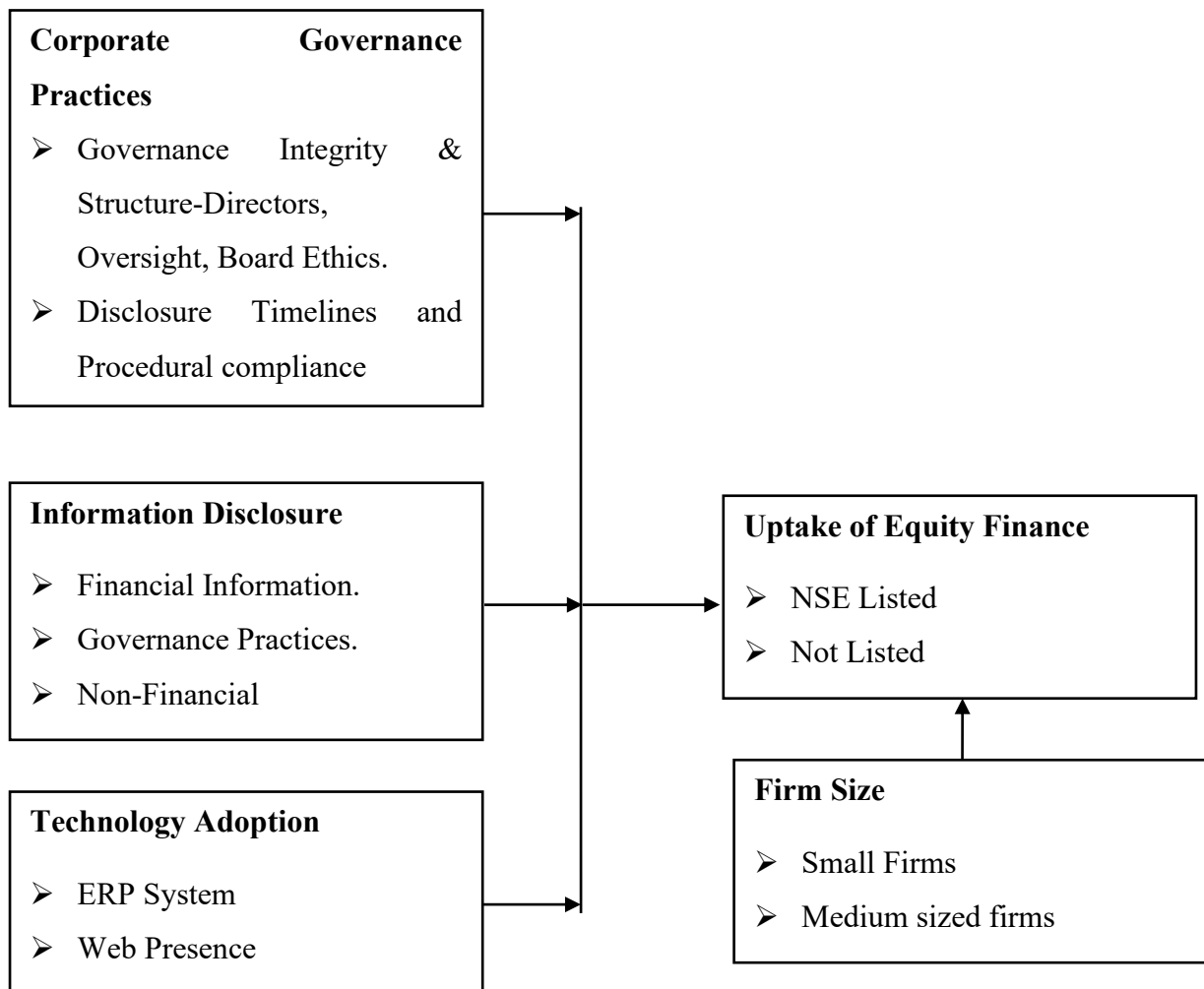
Figure 2.1 displays the study's conceptual structure. It displays how the independent and dependent variables are related to one another.

**FIGURE 1**

### Conceptual Framework

#### Independent variables

#### Dependent Variables



Source, Author (2024)

## 2.5 Operationalization of Variables

The abstract concepts of this study were transformed into measurable variables by Operationalization of these variables as presented in table 1 below;

**TABLE 1**  
**Operationalization of Variables**

<b>Variables</b>	<b>Description</b>	<b>Measure</b>
Uptake of Equity Finance	Dichotomous variable where a Firm would either be listed 1 or Not listed 0	Nominal
Corporate Governance	Treated as an ordinal variable with five major ranks indicating the level of compliance with good governance practices. <i>Key: 1 Strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree</i>	Ordinal 5 Point Likert Scale
Information Disclosure Requirements	An Ordinal variable measuring the level of and perception of information disclosure. <i>Key: 1 Strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree</i>	Ordinal 5 Point Likert Scale
Technology Adoption	An ordinal variable using a scale to determine the utilization of technology in operations. <i>Key: 1 Strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree</i>	Ordinal 5 Point Likert Scale
Firm size	A dummy variable that was either 0- For Small sized companies (those with 50 and below employees) and 1 for Mid-sized companies (Those with over 50 employees)	Nominal scale 0 -Small Sized 1 - Mid Sized

The study developed a Corporate Governance Index similar to that in (Haque, 2015) to measure or quantify the major or primary governance related issues. The Corporate Governance Index (CGI) included a number of distinct governance elements, primarily the ownership structure, Board composition, rights and duties of shareholders, the independence and duties of the board of directors, Board committees and management, and financial reporting guidelines and disclosures. This study follows (Haque, 2015) as well as (Zandi,2022) and (Okello,2018) in building the Corporate Governance index. The number of committees, the size and makeup of the board, ownership structure, and CEO duality are all factors that are considered when calculating the corporate governance index.

The study examined the scope and depth of information that a business voluntarily makes available through a variety of platforms, such as press releases, financial reports, corporate websites, and sustainability reports. Consider things like the information's timeliness, completeness, and clarity. Frequently, a mix of quantitative and qualitative techniques is used to gauge the degree of transparency of the company in comparison to industry standards and legal provisions. Businesses use sustainability disclosure to demonstrate their commitment to corporate sustainability. (Vural, 2016). The study will utilize a disclosure index to measure Information disclosure.

The effective integration of new technology into company is known as technology adoption. It is the adoption and incorporation of new technologies into systems that already exist or the creation of entirely new ones. It entails making the most of technology while modifying it to satisfy shifting customer demands. This study used indices where it followed similar index to that in (Okello,2018) and (Wanjau 2013) to determine various aspects of Technology adoption.

## **2.7 Summary of reviewed literature**

Most economies, especially those in emerging nations, rely heavily on small and medium-sized businesses (SMEs). The World Bank claims that SMEs make up many companies globally and have a significant role in both employment creation and the expansion of the global economy. They account for over 50% of jobs and almost 90% of enterprises globally. Formal SMEs can account for as much as 40% of GDP in developing nations. Small and medium-sized businesses (SMEs) around the world, especially in emerging nations, suffer far more barriers to financing than do bigger companies. The IFC estimates that about \$4.1 trillion in unmet funding needs exist for around 43% of formal SMEs in developing nations. SMEs are unable to expand and provide employment without access to funding. (IFC 2022 Report).

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

In this chapter several issues have been addressed which include Research design that was adopted, Target populations, Data collection procedures and sample, instrumentation and methods of data collection, analysis and presentation. The chapter basically discusses the methodology that was used in acquiring and analyzing data necessary for determination of factors accelerating the uptake of public equity financing by SMEs in Kenya.

#### **3.2 Research Design**

The study used descriptive as well as an exploratory research design to some extent. To help comprehend and assess the relationships between the factors (independent variables) that affect SMEs' adoption of public equity financing (dependent variables) in the several study segments—Ibuka, GEMS, and Alternative Market Segment—an exploratory survey approach was used (Kawimbe, 2022). Descriptive design is applicable when a problem has undergone a well-elaborated process and analysis. This is preferred since the population is clearly defined and the problem under study is well understood. The variables under the study was grouped into two: depended and independent variables. Because it accurately depicts the actions and conditions of the variables, this design is appropriate.

It can lead to the development of significant knowledge principles and answers to a variety of issues in addition to being utilized for fact-finding. A descriptive survey is a technique for gathering data that involves interviewing or distributing a questionnaire to a sample of people. Measurement, classification, analysis, comparison, and interpretation of data are all part of this type of research design. Information about people, attitudes, opinions, habits, and a wide range of educational issues can be gathered using a descriptive approach. When

measuring the characteristics of a big population, a survey is required. Typically, descriptive methods are employed to gather information for assessing current practices.

### **3.2 Target Population**

The target population for the study were the listed SMES in Kenya under the Alternative Market segment as well as those under the NSE Growth Enterprise Market segment (GEM) and the firms in the Ibuka incubation and acceleration programme. There is a total of Nine Firms listed on Alternative Market segment, five firms listed on the Growth Enterprise and Market segment and twenty-four firms in the Ibuka incubation programme.

Kenyan mid-cap firms are the target of the Alternative Investment Market Segment. The segment's goal is to help businesses get funding and provides a public forum to help them grow and develop more quickly. Eaagands LTD, Kapchorua Tea Kenya PLC, The Limuru Tea Co. Plc Ord 20.00, Williamson Tea Kenya Plc, Deacon's East Africa plc, Express Kenya plc, Longhorn Publishers plc, Trans Century plc, and Kenya Orchards Ltd. are among the nine companies in this section.

Small and medium-sized businesses (SMEs) can raise significant capital and accelerate their growth in a regulatory framework tailored to their needs through the Growth Enterprise and Market segment (GEMS). Recognizing the company's growing stage, the category provides enterprises with flexible listing criteria. This section lists the following companies which formed part of the population: Nairobi Business Ventures Ltd., Home Africa Ltd., Kurwitu Ventures Ltd., Flame Tree Group Holdings Ltd., and Homeboyz Entertainment Plc.

The NSE PLC launched the Ibuka, a premium incubation and acceleration program, in 2018. Through an incubation and acceleration program customized to meet client objectives, the program aims to assist businesses in reaching their next level of growth including listing. The program's phases are intended to equip businesses with the skills necessary to acquire

money and be ready for investors by utilizing the several capital market choices offered by the NSE PLC. Twenty-four businesses from various economic sectors have joined the program and are taking advantage of the many services provided. These firms will also form part of the population.

**TABLE 2**  
**Target Population**

Three sectors targeted including Alternative Market segment, The Growth Enterprise and Market Segment as well as the Ibuka incubation programme.

<b>Category</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Alternative Market Segment	9	24%
Growth Enterprise Market Segment (GEMS)	5	13%
Ibuka Program	24	63%
<b>Total</b>	<b>38</b>	<b>100</b>

**Source, Author (2024)**

### **3.4 Data Collection Design/Procedure**

This study adopted a population census technique where all the firms were available for participation in the study. The SMEs were grouped together based on categories of sectors. This means that data were collected from all the respondents of the target groups. The target population were 38 SMEs in the three segments in Kenya which were either listed or had shown interest in listing at the NSE for purposes of accessing equity financing, the study grouped the companies in strata and then applied census where data was collected from every member of a population of the 38 SMES selected. The population were 38 SME's representing 100% of the population. There were at least five Questionnaires/observations for each firm bringing the total number of anticipated observations to 190.

The population was categorized into three strata encompassing segments consisting of Alternative Market Segment, Growth Enterprise and Market segment as well as the Ibuka programme;

**TABLE 3**  
**Census Size**

<b>Category</b>	<b>Frequency (No)</b>	<b>Census (No)</b>	<b>Percentage (%)</b>
Alternative Market Segment	9	9	23.7
Growth Enterprise and Market Segment.	5	5	13.2
Ibuka Program	24	24	63.1
<b>Total</b>	<b>38</b>	<b>38</b>	<b>100</b>

Source, Author (2024)

### 3.5 Data Collection Instruments

Both primary and secondary data were used in the investigation. Questionnaires were used to obtain information directly from respondents for primary data. Because it collected data for analysis in the lowest amount of time, the questionnaire was recommended.

Both closed-ended and open-ended questions were used. After the questionnaires were completed and returned, sometimes instructions and clarifications were provided. In order to reduce the likelihood of loss or improper handling, preparations were made for the prompt collection of the instruments for those respondents who were unable to complete the questionnaire right away. Field-collected instruments were inspected to make sure they were complete and adequately delivered. A self-stamped envelope for returning the questionnaires was also part of the arrangements.

To a small extent, Secondary data involved deriving information from the organization website and other websites in the same sector. It also involved reading reports and newsletters prepared by the organization. Although this did not necessarily form the major part of data analysis but it helped in supporting the collected information through the questionnaires and interviews.

### **3.6 Validity and Reliability of the Instruments**

The extent to which the instruments utilized measure what was supposed to be measured is known as the validity of the measuring devices. The extent to which the findings and analysis of the data accurately depict the phenomenon being studied is known as validity. To improve their accuracy and consistency, the questionnaires used in this study underwent pilot testing. Respondents in the SME sector participated in the pilot study.

The characteristic of reliability explains why the findings remain consistent even when the research is conducted by a different researcher at a different time. It gauges how consistently a research tool produces data or results following numerous trials. Thus, research consistency and the degree of study replication are considered aspects of reliability. An instrument is considered trustworthy if it can measure a variable with accuracy and consistency and produce the same result over time under the same conditions.

Cronbach's alpha was vital in evaluating the test's internal consistency or the average correlation of its items (variables) to assess reliability. The overall Cronbach Alpha of the factors was determined where a reliability coefficient was deemed "acceptable" if it is 0.70 or greater. Data analysis will make use of this test, which was accessible in SPSS.

### **3.7 Data Analysis**

After analyzing the gathered descriptive data on Stata, tables and descriptive statistics were created. Descriptive statistical approaches were used in the study to assess the quantitative data collected. Wherever possible, the frequency and percentage occurrences of numerical data were ascertained in this regard. A thorough tabulation and analysis of the frequency of answers to the questionnaire's questions was also conducted.

### **3.7.1 Model**

A logistic regression model (Logit) was used for this study to link the various independent variables to the dependent variable since the outcomes are dichotomous (Listed or Not Listed). The model was previously used in (Niigata,2023) when studying on SMEs' collateral concerns when obtaining bank loans, as well as the effects of information and communication technology (ICT) and audited financial statements disclosure on SME equity funding, according to the information asymmetry hypothesis

The equation for the analysis was;  $\text{Logit}(P) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$

Where; P = Probability of Uptake of Equity Capital X1 = Corporate Governance X2 = Information Disclosure X3 = Technology adoption X4= Firm Size

$\beta_0$  is the constant term in the equation whereas the coefficients  $\beta_i = 1 \dots 4$  will measure the sensitivity of the dependent variable (P) to unit change in the predictor variables.  $\mu$  represents the error term which captures any other factors not explained by the model.

Factor analysis was used to identify the factors. This is akin to a study by (Okello, 2018) and (Kawimbe, 2022) where the criteria that determine the listing of SMEs were identified using factor analysis.

### **3.7.2 Multicollinearity**

Correlation matrix, tolerance, and VIF values are used to identify multicollinearity, while condition index and variance proportions are used to confirm it. There are several options for logistic regression, including expanding the sample size, eliminating one of the linked variables, and combining variables to create an index (Senaviratna & A. Cooray, 2019). It is safe to say that eliminating one of the linked variables can significantly lower multicollinearity without increasing the sample size. The possibility of multicollinearity effects was tested using

the variance inflation factors (VIF). Values of VIF exceeding 10 were regarded as indicating multicollinearity with values less than 5 being considered ideal.

### **3.8 Construct Validation through Principal Component Analysis (PCA)**

To ensure the validity and internal consistency of the constructs used in this study—namely corporate governance, technology adoption, and information disclosure—Principal Component Analysis (PCA) was employed as a data reduction and validation technique. Each construct consisted of multiple Likert-type items designed to capture the latent dimensions of the underlying variable. PCA was selected due to its suitability for identifying uncorrelated components and summarizing large sets of variables into meaningful factors.

Prior to running PCA, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity were conducted to verify the suitability of the data for factor analysis. Components with eigenvalues greater than 1 were retained based on the Kaiser criterion, and Varimax rotation was applied to aid interpretability. Factor scores derived from the PCA were used as composite indicators of each construct in subsequent regression analysis.

### **3.9 Ethical Considerations**

Prior to data collection, each participant was provided their informed consent. Every effort was made to collect data anonymously, and all other data was treated with the utmost confidentiality. Participants' involvement was completely voluntary, and the researcher took all necessary procedures to limit any potential risk. The KCA University Ethics review committee and NACOSTI granted ethical approval for this project before data collection was done. The study's data will be protected with only the researcher and supervising faculty having access to it, and no identifying information will be shared or published. The data will be stored for a period of five years and made accessible in an anonymized format mostly for controlled access in future research.

The results and findings of the study will be made available to the participants and other users through publications of the final Dissertation in university repository. The researcher will also pursue the publication of the results in other platforms available including open-source journals. During field visits, the researcher gathered details of firms that might be interested in consuming the finding and this will be shared with them.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND PRESENTATION**

#### **4.1 Introduction**

This chapter presents a detailed analysis of the 100 data responses collected from the 38 SMEs. The primary objective is to evaluate the strategic factors that influence the uptake of capital market public equity finance options among these enterprises. The analysis is organized into four main sections to ensure a systematic presentation and interpretation of results. The chapter provides descriptive statistics that summarize the key characteristics of the study variables, giving an overview of the respondents and firms involved. This is followed by diagnostic testing, which assesses the validity of the assumptions underlying the statistical models used, including normality, multi-collinearity, and heteroscedasticity. The third section features inferential statistical analysis, where regression and correlation tests are applied to determine the nature and strength of relationships between the independent and dependent variables. The chapter concludes with a discussion and interpretation of the findings, aligning them with the study objectives, research questions, and existing literature. This helps to contextualize the results and draw meaningful conclusions that inform recommendations and policy implications.

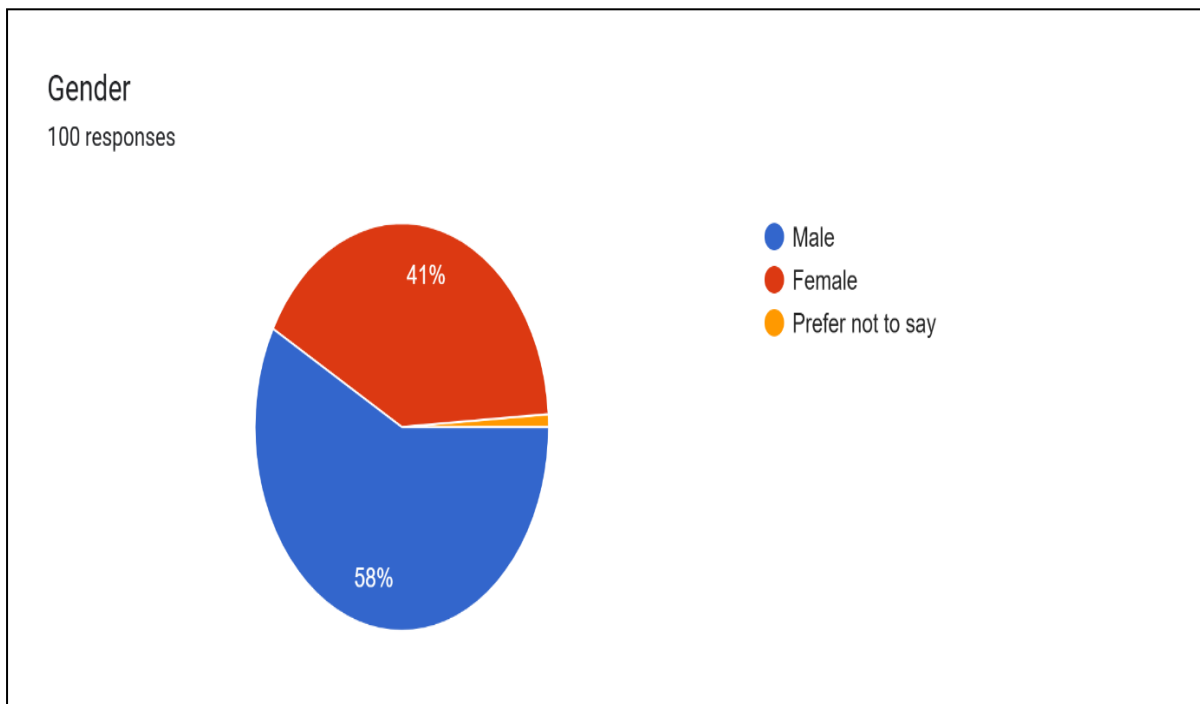
#### **4.2 Respondents' Background Information**

##### ***4.2.1 Gender distribution***

The gender composition of the respondents revealed a balanced participation, with 58% male and 42% female respondents (Figure 4.1). This demonstrates an inclusive representation across gender lines among SME professionals engaged in strategic financing decisions. The slightly higher male representation could reflect broader gender dynamics in financial management and leadership roles within SMEs listed and those intending to list.

**FIGURE 2**

**Graph Showing Gender Distribution**



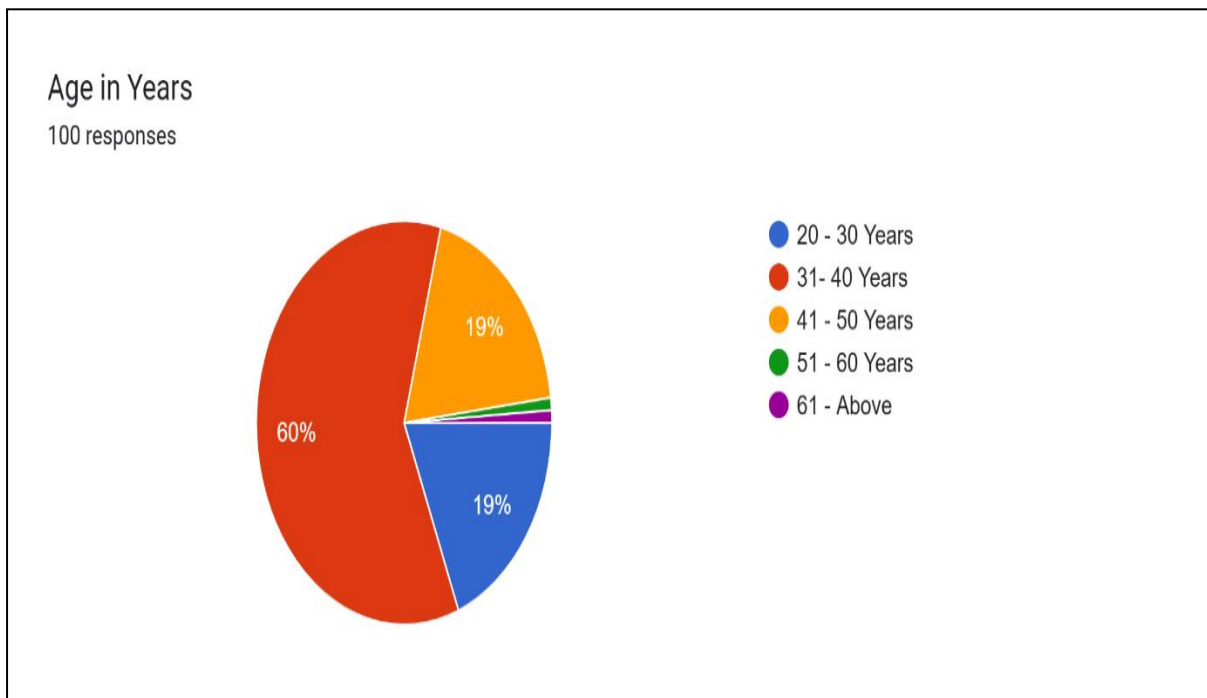
**Source, Author (2024)**

#### ***4.2.2 Age distribution***

Respondents' age profiles were predominantly within the 30–40 years category, which accounted for 60% of the total sample (Figure 4.2). This was followed by the 20–30 years and 40–50 years brackets, each contributing about 19% of the respondents. A marginal number of respondents fell within the 50–60 and 60 years and above groups. These findings suggest that the majority of SME financial decision-makers are in their early to mid-career stages. This is an age segment likely to be actively involved in seeking strategic financing opportunities.

**FIGURE 3**

**Graph Showing Age Distribution**



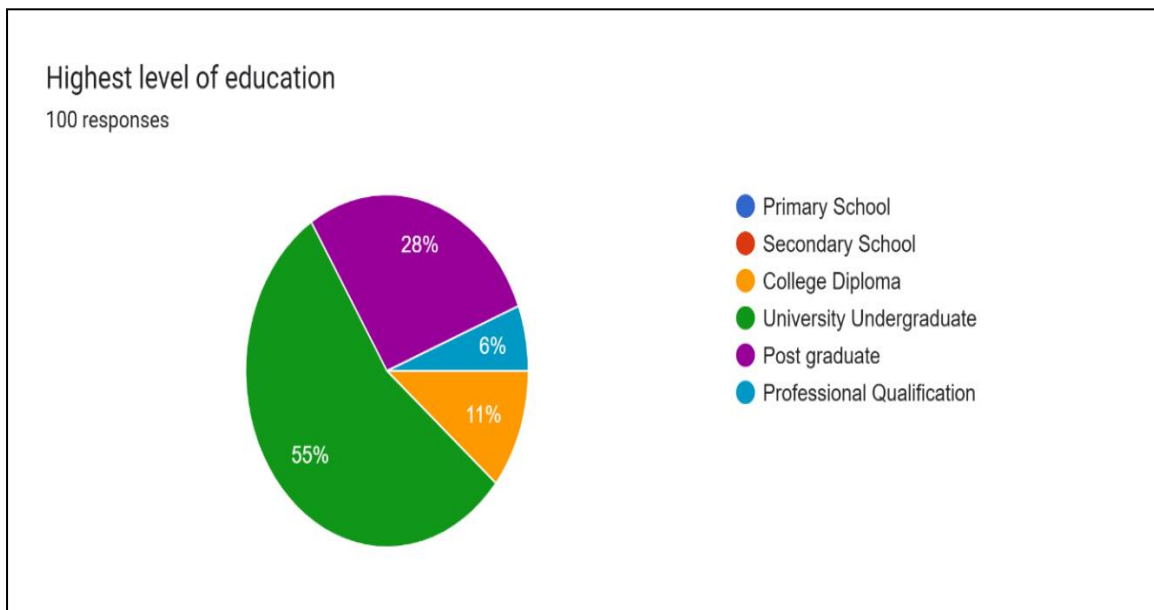
**Source, Author (2024)**

#### ***4.2.3 Highest level of education***

Analysis of education levels revealed that over half (55%) of the respondents held undergraduate degrees, while another 28% possessed postgraduate qualifications (Figure 4.3). Respondents with diploma and secondary school education comprised the remaining segment. This educational profile indicates that the sample predominantly included well-educated individuals, aligning with the professional roles such as accountants, finance managers, and internal auditors reported in the dataset.

**FIGURE 4**

**Graph Showing Highest Level of Education**



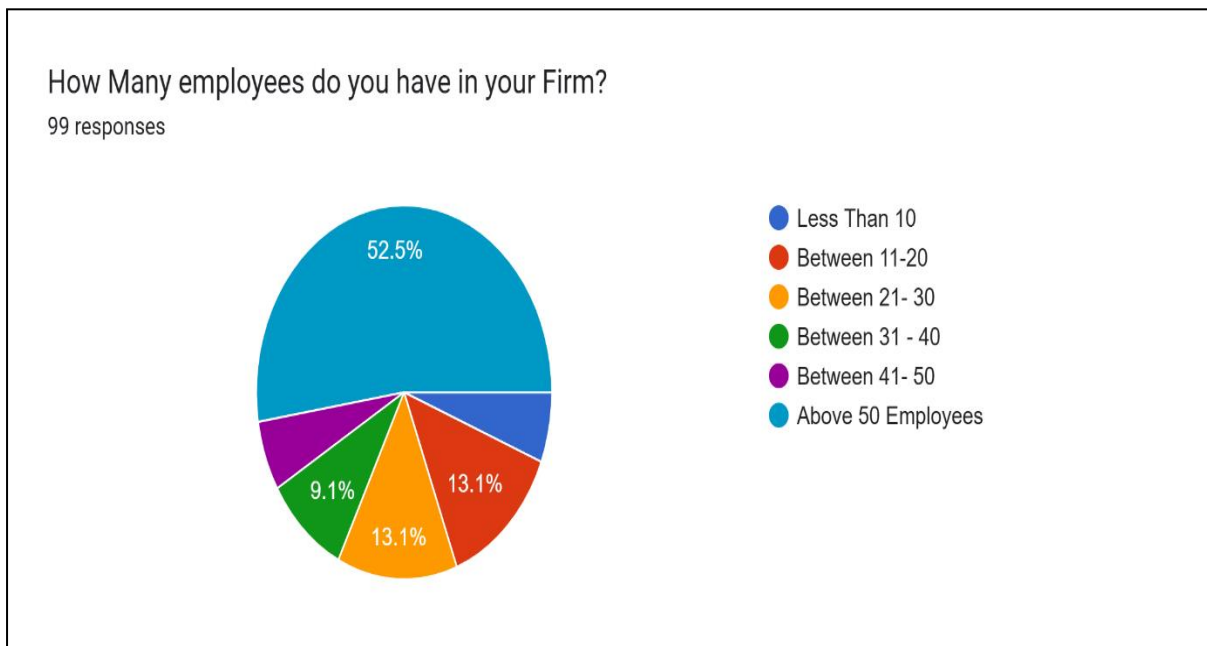
**Source, Author (2024)**

#### ***4.2.4 Firm size by number of employees***

Regarding firm size, as shown in Figure 4.4, the majority of respondents (over 50%) came from firms with more than 50 employees, which were considered medium enterprises, indicating participation from relatively established SMEs. Other notable categories included firms with 11–20 employees (13%), 21–30 employees (13%), which were considered small or micro enterprises. This reflected diversity in enterprise scale within the study. The significant representation of medium SMEs suggests that these firms may be more strategically positioned to consider public equity finance options.

**FIGURE 5**

**Graph Showing Size of SMEs**



**Source, Author (2024)**

### **4.3 Validity and Reliability**

To ensure that the research instruments used in the study were both valid and reliable, two statistical tests were conducted: Cronbach's Alpha to assess internal consistency (reliability), and Kaiser-Meyer-Olkin (KMO) and Bartlett's Test to evaluate sampling adequacy and factorability of the data (validity).

The results presented in Table 4.1 demonstrate that all three constructs in the study as presented by Corporate Governance, Technology Adoption, and Information Disclosure; exhibited excellent reliability. Specifically, the Cronbach's Alpha coefficients for these variables were .952, .959, and .945 respectively. Since values above 0.7 are considered acceptable and those above 0.9 are deemed excellent, these findings indicate that the questionnaire items under each construct consistently measured the intended concepts with high internal coherence.

In terms of validity, the KMO values for all constructs exceeded the recommended threshold of 0.6, with Corporate Governance scoring .912, Technology Adoption scoring .933, and Information Disclosure scoring .911. These values suggest that the data were suitable for factor analysis and that the items loaded well onto their respective latent constructs. Furthermore, the Bartlett’s Test of Sphericity, was significant across all constructs, reinforcing the conclusion that the correlation matrices were not identity matrices and thus factorable.

The validity and reliability analysis confirmed that the instrument was robust, and the data collected were appropriate for further statistical analysis. The high consistency and sampling adequacy affirm that the findings derived from the subsequent analyses can be trusted and meaningfully interpreted within the context of SMEs’ uptake of public equity financing.

**TABLE 4**

**Validity and Reliability Table**

Variable	No of Items	Cronbach’s Alpha	KMO & Bartlett’s Test			Decision
			X	DF	Sig	
Corporate Governance	17	.952	.912	136	.000	Accept
Technology Adoption	14	.959	.933	91	.000	Accept
Information Disclosure	11	.945	.911	55	.000	Accept

Source, Author (2024)

#### 4.4 Descriptive Analysis

This section provides a summary of the respondents’ perceptions regarding the study’s three main constructs. Descriptive statistics - namely mean, standard deviation, and mode - were computed for each item under these constructs. The mean gives insight into the central response tendency, while the standard deviation indicates variability in responses. The mode identifies the most frequently chosen response.

#### *4.4.1 Corporate governance*

The responses under the corporate governance construct exhibited a high overall mean across most items, typically ranging from 3.8 to 4.6, indicating strong agreement among respondents on the existence and relevance of sound governance practices within their SMEs. As summarized in Table 4.2, the highest-rated statement was the presence of a code of ethics (mean = 4.21, mode = 5), closely followed by items related to internal controls (mean = 4.14) and board approval of audited accounts (mean = 4.05). These results suggest that ethical and procedural compliance mechanisms are highly prioritized by the firms.

Key aspects of board independence were also favorably rated. For instance, the presence of independent non-executive directors (mean = 3.66), the use of audit committees chaired by independent directors (mean = 3.39), and the offering of board induction and training (mean = 3.82) all point to deliberate efforts to strengthen board oversight and accountability. Additionally, the CEO duality measure—whether the CEO and Board Chairperson roles are held by different individuals - yielded a moderate-to-high score (mean = 3.85, mode = 5), suggesting that many SMEs recognize the importance of separating strategic and supervisory functions to avoid conflict of interest.

The aspect of board size, while not directly measured, is indirectly captured through variables such as minority shareholder representation (mean = 3.51) and institutional investor participation (mean = 3.68), indicating some diversity and expansion in board composition. Standard deviation values across governance indicators ranged from 1.15 to 1.37, reflecting moderate variability in practices among SMEs. Nonetheless, the modal responses—primarily 4 or 5 across most items - reaffirm that the majority of respondents either agreed or strongly agreed with the statements, illustrating a positive governance culture among SMEs considering capital market participation.

**TABLE 5****Corporate Governance Frequencies and Statistics**

<b>Statements</b>	<b>Mean</b>	<b>Mode</b>	<b>Std. Deviation</b>
Company Audited accounts are approved by the Board of Directors and signed by at least two directors	4.05	5	1.167
The firm has representation of minority shareholders on the board.	3.51	4	1.219
The firm holds AGM on a regular basis.	3.94	5	1.188
The board have representative from institutional investors.	3.68	4	1.294
The company has a code of ethics.	4.21	5	1.200
The company Board of directors usually has independent non-executive director(s).	3.66	4	1.208
There is a maximum number of terms that a director can serve.	3.64	5	1.291
The company offers induction and/or regular training to members of the Board.	3.82	4	1.209
The positions of the CEO/Managing Director and Board Chairperson are held by different individuals.	3.85	5	1.366
The firm has well constituted audit committee of the board.	3.81	4	1.285
Independent non-executive directors chair the audit committee.	3.39	4	1.230
A section detailing the company's performance in applying corporate governance concepts is included in its annual report.	3.81	4	1.152
The company has adequate internal controls in place that are properly documented and periodically reviewed.	4.14	5	1.155
The company facilitates voting by Proxy.	3.32	4	1.286
The company usually publish its annual reports within five months of the end of the financial year.	3.73	4	1.221
The company has a website regularly updated and currently has updated financial results and announcements.	3.64	5	1.337
Within a month of the half-year ending, the corporation releases its half-yearly reports.	3.41	4	1.256

#### 4.4.2 Technology adoption

**TABLE 6**

**Technology Adoption Frequencies and Statistics**

Statements	Mean	Mode	Std. Deviation
The firm has a fully functional Enterprise Resource Planning (ERP) system.	4.04	5	1.197
The Firm always involves ICT professionals in all technology related matters.	4.12	5	1.066
The firm has always sought advice on new technology from professionals.	3.98	4	1.128
New technology adoption has a great impact on SMEs' ability to attract and secure equity financing.	3.95	4	1.132
The use of artificial intelligence (AI) in financial analysis affects how investors make decisions when financing SME equity.	3.59	4	1.147
The company has committed and undertaken Investment in technology including resource allocation in the last Five years.	3.78	4	1.160
The Firm has a well-structured and documented method of adopting new technology.	3.74	4	1.186
Adoption of technology contributes greatly to attracting equity investors in a firm.	3.95	5	1.175
The Firm involves Kenya Bureau of Standards (KBS) and other relevant regulatory bodies and stakeholders in new products and processes.	3.75	5	1.298
The Company uses Social media to facilitate and improve the information flow to investors.	3.91	4	1.102
Companies that make heavy use of technology are more likely to list on the NSE.	3.48	4	1.235
When promoting the use of ERP system, the firm incorporated digital transformation into its goals.	3.73	4	1.127
The firm recruitment process is being done online.	3.60	4	1.172
The company has a functional website that is continuously and regularly updated.	4.21	5	1.157

**Source, Author (2024)**

The responses on the technology adoption construct reveal a generally positive disposition among SMEs toward embracing modern digital tools and practices, with mean values ranging from 3.48 to 4.21, indicating overall agreement with most technology-related statements. As

shown in Table 4.3, one of the most emphasized constructs was the implementation of Enterprise Resource Planning (ERP) systems, with a high mean of 4.04 and a mode of 5, suggesting that most firms either agreed or strongly agreed that they had a functional ERP system. Additionally, the statement on aligning ERP systems with digital transformation goals scored a supportive mean of 3.73, demonstrating growing awareness of integrated systems in enhancing operational efficiency.

The construct of web presence was also well represented. The highest-rated item in this category was the availability of a functional and regularly updated company website, which had a mean of 4.21 and a mode of 5. This underscores the importance of digital visibility in today's capital markets, particularly for attracting investors through transparent and accessible online platforms. Similarly, use of social media to improve investor communication scored a mean of 3.91, reflecting the firms' recognition of social media as a valuable tool in strategic communication.

With regard to IT policy, statements on involving ICT professionals (mean = 4.12) and seeking expert advice on technology matters (mean = 3.98) indicate that many SMEs integrate professional input into their IT-related decisions. This suggests the existence or development of formal or informal IT policies to guide technological investment and decision-making processes. The firms also indicated that they had structured methods for adopting new technologies (mean = 3.74), further reinforcing the presence of systematic policies and procedures.

While not explicitly stated, cloud computing can be inferred from firms' investment in modern technology and their openness to digital infrastructure, such as online recruitment systems (mean = 3.60) and regulatory stakeholder engagement (mean = 3.75). These reflect operational shifts likely supported by cloud-based platforms and services.

Standard deviations across the items ranged between 1.07 and 1.30, indicating moderate variability in responses. However, the modal values—largely 4 or 5—reveal that most respondents had a strong level of agreement on the role of technology in enhancing investor confidence and improving SME readiness for public equity financing.

#### 4.4.3 Information disclosure

**TABLE 7**  
**Descriptive Statistics on Information Disclosure**

Statements	Mean	Mode	Std. Deviation
Material Information- The company discloses information on a regular basis, including financial data, new product launches, legal problems, and leadership changes.	3.54	4	1.259
Financial Statements- The company regularly releases financial reports that include cash flow, income, and balance sheets.	3.89	5	1.127
Compliance- The company complies completely with the Capital Markets Authority's specific disclosure requirements and regulations.	3.74	4	1.160
The company releases its annual report, which is a thorough summary of the performance of the business over the preceding fiscal year.	3.91	5	1.164
The firm frequently includes details on strategy, management debate and analysis, and CSR programs in its annual report.	3.62	4	1.237
Press releases are frequently used by the company to promptly disclose significant news or developments.	3.37	4	1.315
Information about the company, such as sustainability reports, corporate governance procedures, and investor relations materials, are publicly shared by the company through special parts of their websites.	3.61	4	1.238
The firm has already adopted Sustainability reporting and publishes integrated financial statements.	3.64	4	1.219
Increased investor trust in small and medium-sized businesses is made possible by information disclosure.	3.92	4 <sup>a</sup>	1.152
Disclosures made in response to regulatory requirements are unduly complicated and challenging to comprehend.	3.44	4	1.131
A lack of information disclosure may cause harm to unwary investors.	3.87	4	1.134

Source, Author (2024)

The descriptive analysis of the Information Disclosure construct as shown in Table 4.4 revealed moderately high levels of agreement among respondents regarding their firms' disclosure practices, with mean scores ranging from 3.37 to 3.92, and modal responses of 4 or 5 across all items. These scores indicate that while there is general adherence to disclosure practices, there remains room for improvement in consistency and clarity, especially in smaller or less formalized SMEs.

The construct of material information disclosure was reflected in the item on regularly releasing updates on financial data, new product launches, legal issues, and leadership changes. This item scored a mean of 3.54 and a mode of 4, suggesting that while a majority of SMEs recognize the importance of sharing material information, not all do so consistently or comprehensively.

The disclosure of financial statements received stronger support, with firms indicating that they release financial reports covering income statements, balance sheets, and cash flows (mean = 3.89, mode = 5). This was reinforced by another high-scoring item related to publishing annual reports (mean = 3.91), which indicates that many firms understand the importance of formal financial reporting as a tool for accountability and investor confidence.

Regarding regulatory compliance, the item on full adherence to Capital Markets Authority disclosure rules scored a mean of 3.74, indicating moderate to strong alignment with formal standards. However, concerns about complexity were reflected in the statement on regulatory disclosures being overly complicated (mean = 3.44), suggesting that while firms are willing to comply, the clarity and accessibility of regulatory requirements may be an obstacle for some.

Constructs around transparency and investor trust were also highlighted. Respondents acknowledged that information disclosure increases investor confidence (mean = 3.92), and that lack of disclosure can harm investors (mean = 3.87), reinforcing the perceived value of

transparency in attracting public equity investment. Practices such as using websites to share investor relations materials (mean = 3.61) and publishing sustainability or integrated financial reports (mean = 3.64) suggest that some SMEs are beginning to embrace broader corporate transparency tools.

Standard deviation values ranged from 1.13 to 1.32, indicating moderate variability in disclosure practices across firms. The findings underscore that while SMEs are increasingly adopting structured disclosure practices, there is variability in implementation, possibly due to differences in resources, awareness, or regulatory preparedness.

#### **4.5 Principal Component Analysis (PCA) for Construct Validation**

To validate the internal structure of the constructs measured via multiple Likert-scale items, Principal Component Analysis (PCA) was performed separately for each construct: corporate governance, technological adoption, and information disclosure.

##### ***4.5.1 Corporate governance construct***

To validate the dimensionality of the corporate governance construct, Principal Component Analysis (PCA) with Varimax rotation was applied to 17 related items. The Kaiser-Meyer-Olkin (KMO) value was 0.912, indicating excellent sampling adequacy. Bartlett's Test of Sphericity was significant ( $\chi^2 = 1317.366, p < .001$ ), confirming that the data was suitable for factor analysis.

Based on the eigenvalue >1 criterion and the scree plot, two components were retained. Component 1 primarily captured governance-related integrity and structural attributes such as the presence of independent directors, board oversight of financial statements, and board ethics. Component 2 encompassed compliance-related aspects such as the timeliness of report releases, proxy voting facilitation, and adherence to statutory disclosure timelines.

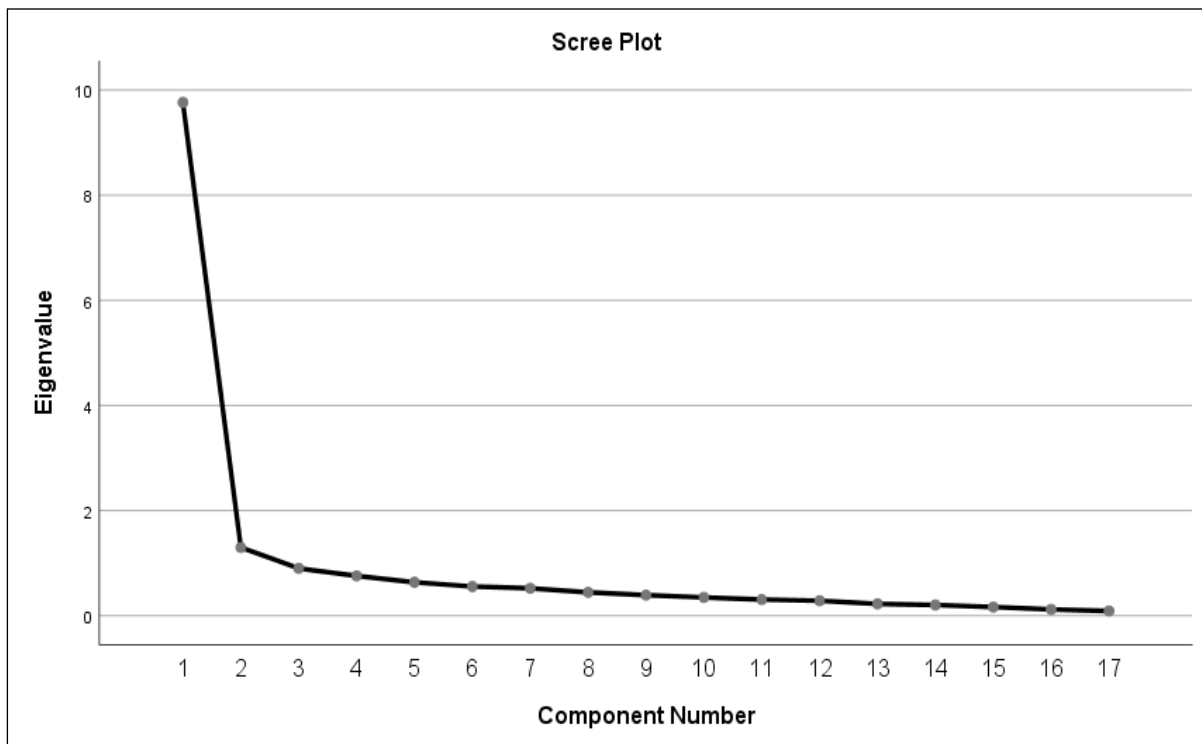
Items loaded strongly on their respective components with factor loadings ranging between 0.59 and 0.83. These components cumulatively explained a significant portion of variance and were interpreted as:

- **Governance Integrity & Structure** (Component 1)
- **Disclosure Timeliness & Procedural Compliance** (Component 2)

Factor scores from the two components were computed and used as predictor variables in the subsequent binary logistic regression analysis to examine their influence on SME uptake of public equity financing.

**FIGURE 6**

**Scree Plot for Corporate Governance**



**Source, Author (2024)**

The scree plot for the corporate governance construct (Figure 4.5) displays a steep decline after the first component and a noticeable elbow at the second component, indicating a clear break in the eigenvalues. This pattern supports the retention of two components, consistent with the

Kaiser criterion (eigenvalues >1). The first component explains the largest share of variance, while the second adds a meaningful contribution before the curve flattens, suggesting that additional components contribute minimal unique variance. This visual confirmation reinforces the decision to retain two principal components. Additionally, the component transformation matrix (Table 4.5) provides the coefficients used in rotating the original component axes to a new orientation that maximizes variable loadings. The values in the matrix (Component 1 = 0.777 and Component 2 = 0.777 on the diagonal) indicate a successful and near-orthogonal (independent) rotation, confirming that the two extracted components are uncorrelated and interpretable as distinct constructs - Governance Integrity & Structure and Disclosure Timeliness & Procedural Compliance.

**FIGURE 7**

**Component Transformation Matrix**

Component	1	2
1	.777	.630
2	-.630	.777

Source, Author (2024)

#### **4.5.2 Technological adoption construct**

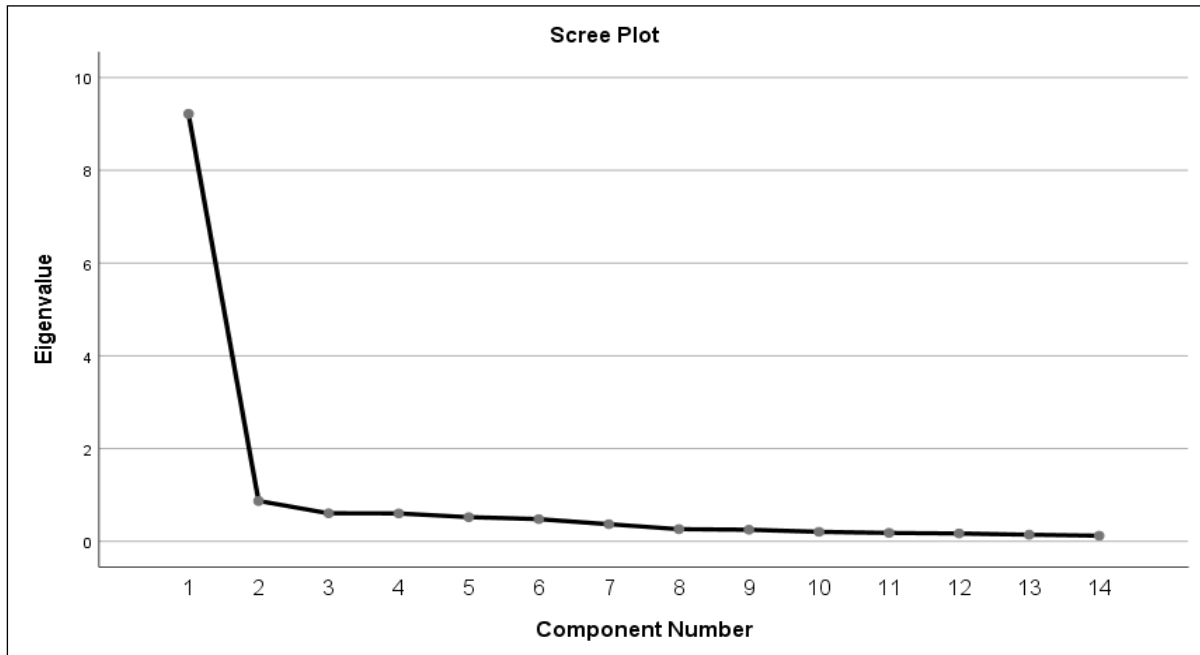
To assess the internal consistency and dimensionality of the technology adoption construct, Principal Component Analysis (PCA) was conducted on 14 Likert-scale items. The Kaiser-Meyer-Olkin (KMO) measure of 0.933 indicated excellent sampling adequacy, and Bartlett’s Test of Sphericity was statistically significant ( $\chi^2 = 1228.875$ ,  $df = 91$ ,  $p < .001$ ), confirming the appropriateness of the dataset for factor analysis.

The scree plot (Figure 4.6) revealed a clear elbow after the first component, and only one component had an eigenvalue greater than 1, indicating a unidimensional structure for the construct. This single component captured the shared variance across all the measured items, suggesting that the indicators consistently reflect a unified latent variable representing SME

technology adoption practices. Accordingly, one composite factor score was generated and used as a predictor variable in the logistic regression analysis.

**FIGURE 8**

**Scree Plot for Technology Adoption Construct**



Source, Author (2024)

#### **4.5.3 Information disclosure construct**

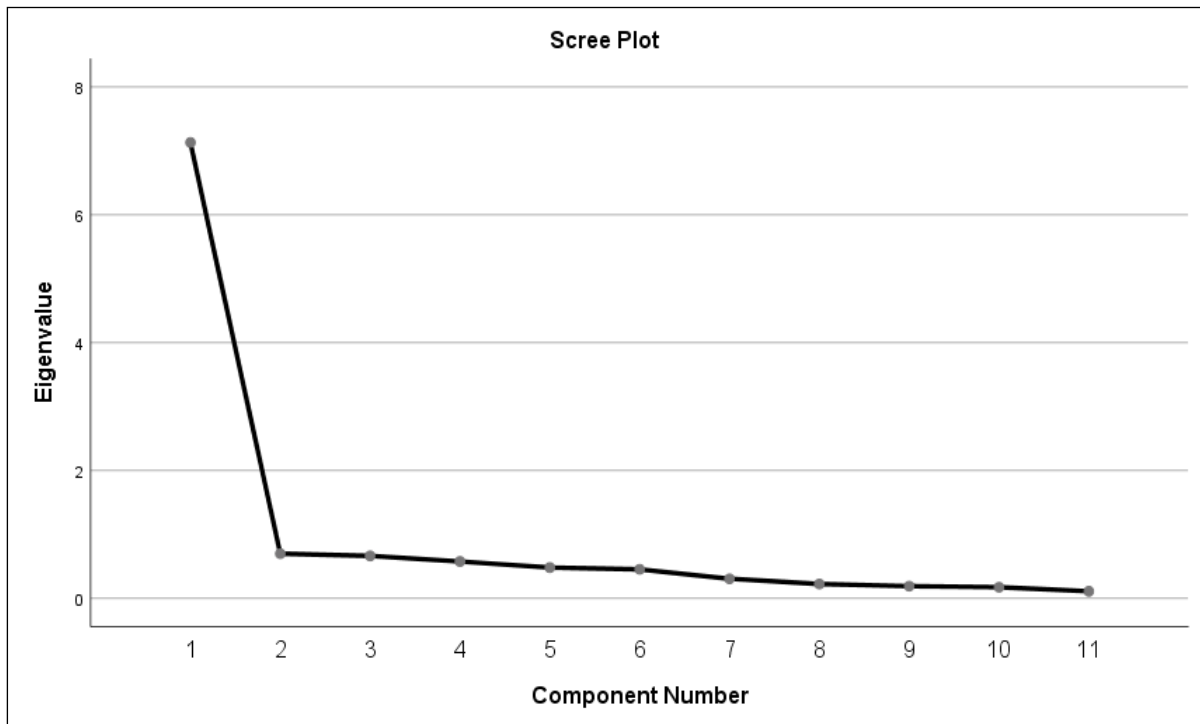
Principal Component Analysis (PCA) was conducted to validate the dimensionality of the information disclosure construct. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.911, signifying excellent adequacy, and Bartlett's Test of Sphericity was statistically significant ( $\chi^2 = 869.135$ ,  $df = 55$ ,  $p < .001$ ), indicating that the data was suitable for factor analysis.

The scree plot (Figure 4.7) revealed a sharp decline after the first component and a flattening curve thereafter, supporting the extraction of a single component. This dominant factor accounted for the majority of shared variance across all items, confirming the unidimensionality of the construct. As such, the retained component was interpreted as a

composite measure of Information Disclosure. A single factor score was computed and subsequently used as an independent variable in the binary logistic regression model to assess its influence on SME uptake of public equity financing.

**FIGURE 9**

**Scree Plot for Information Disclosure Construct**



Source, Author (2024)

#### 4.6 Diagnostic Tests

A multiple logistic regression may not require the many assumptions exhibited in the linear regression. However, there are several important diagnostics that are required including; linearity in the logit, and multi-collinearity.

##### 4.6.1 Linearity in logit

In logistic regression, one critical assumption is that there should be a linear relationship between each continuous independent variable and the logit transformation of the dependent

variable. This assumption is particularly important for continuous variables, and it can be tested by including an interaction term between the predictor and its natural log.

The significance levels (Sig. values) of the interaction terms are used to assess whether non-linearity is present. If an interaction term is statistically significant ( $p < 0.05$ ), it suggests a violation of the linearity assumption for that predictor. Table 4.7 summarizes the logit regression for the interacting terms undertaken with the study constructs.

**TABLE 8**  
**Interpretation of Interaction Terms**

Predictor	Interaction Term p-value	Interpretation
Corporate Governance	0.034	Significant – Linearity in the logit is violated for this variable.
Technology Adoption	0.519	Not significant – Linearity in the logit is satisfied.
Information Disclosure	0.924	Not significant – Linearity in the logit is satisfied.
Size	0.307	Not significant – Linearity in the logit is satisfied.

**Source, Author (2024)**

Table 4.7 indicates that corporate governance did not satisfy this condition and therefore the variable was transformed by calculating the logarithm of Corporate Governance.

#### 4.6.2 Multi-collinearity

**TABLE 9**  
**Multi-collinearity Test**

	Collinearity Statistics	
	Tolerance	VIF
Corporate Governance	.507	1.971
Technology Adoption	.349	2.861
Information Disclosure	.413	2.422
Size	.995	1.005

**Source, Author (2024)**

Multicollinearity refers to the situation where two or more independent variables in a regression model are highly correlated, which can distort the estimation of regression coefficients and reduce the reliability of the model. In logistic regression, assessing multicollinearity is crucial to ensure the stability and interpretability of the regression output. Variance Inflation Factor (VIF): This is the reciprocal of tolerance. A  $VIF > 10$  suggests serious multicollinearity concerns, though a more conservative threshold of  $VIF > 5$  is often used.

The results in Table 4.8 show that all the independent variables have VIF values below 5, and tolerance values above 0.1, indicating that multicollinearity is not a significant concern in this model. Although Technology Adoption shows the highest VIF value (2.861), it still falls within acceptable limits, and therefore, does not require exclusion or transformation.

#### 4.7 Logistic Regression

This section presents the results of a binary logistic regression analysis conducted to examine whether the PCA-derived strategic factors, significantly influenced the uptake of public equity financing among SMEs in Kenya. The dependent variable was listing status (1 = Listed, 0 = Not Listed), and independent variables were the factor scores extracted via Principal Component Analysis.

**TABLE 10**

**Omnibus Tests of Model Coefficients**

<b>Test</b>	<b>Chi-Square</b>	<b>Df</b>	<b>Sig.</b>
Step 1	4.998	4	0.288

**Source, Author (2024)**

The Omnibus Tests of Model Coefficients show that the overall regression model is not statistically significant ( $p = 0.288 > 0.05$ ), indicating that the combined factor scores do not significantly improve the prediction of SME listing status compared to a model with no predictors.

**TABLE 11****Model Summary**

<b>-2 Log Likelihood</b>	<b>Cox &amp; Snell R<sup>2</sup></b>	<b>Nagelkerke R<sup>2</sup></b>
133.471	0.049	0.065

**Source, Author (2024)**

The model explains between 4.9% and 6.5% of the variance in listing status (as indicated by the pseudo R<sup>2</sup> values), suggesting a modest explanatory power of the PCA-derived strategic factors.

**TABLE 12****Hosmer and Lemeshow Test**

<b>Chi-square</b>	<b>df</b>	<b>Sig.</b>
8.831	8	0.357

**Source, Author (2024)**

The Hosmer and Lemeshow Test yielded a non-significant p-value ( $p = 0.357 > 0.05$ ), indicating a good model fit; the predicted probabilities from the logistic model closely match the observed outcomes.

**TABLE 13****Classification Table**

<b>Listing Status</b>	<b>Observed = 0</b>	<b>Observed = 1</b>	<b>% Correct</b>
Predicted = 0	21	11	43.80%
Predicted = 1	27	41	78.80%
<b>Overall</b>			<b>62.00%</b>

**Source, Author (2024)**

The model correctly classified **62.0%** of the cases overall. It performed better in predicting listed firms (78.8%) than unlisted ones (43.8%).

**TABLE 14**

**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	Corporate Governance Component 1	0.639	0.340	3.533	1	0.060	1.895	0.973	3.690
	Corporate Governance Component 2	0.266	0.260	1.046	1	0.307	1.305	0.784	2.171
	Technology Adoption	0.001	0.027	0.002	1	0.961	1.001	0.949	1.056
	Information Disclosure	-0.047	0.034	1.890	1	0.169	0.954	0.891	1.020
	Constant	1.928	1.555	1.536	1	0.215	6.875		

**Source, Author (2024)**

Corporate Governance Component 1 (Governance Integrity & Structure) had a positive effect on listing likelihood and approached statistical significance ( $p = 0.060$ ). SMEs scoring higher on-board independence and governance practices were nearly 1.9 times more likely to be listed, but the result was marginally insignificant at the 5% level.

Corporate Governance Component 2 (Disclosure Timeliness & Compliance), Technology Adoption, and Information Disclosure all showed non-significant effects ( $p > 0.05$ ), with odds ratios close to 1. This implies that variations in these factors did not meaningfully predict listing status in this sample.

Technology Adoption had an estimated coefficient (B) of 0.001 with a p-value of 0.961, indicating a statistically insignificant effect on the likelihood of an SME being listed. The odds ratio ( $\text{Exp(B)} = 1.001$ ) suggests a negligible increase in the odds of listing for each unit increase in the technology adoption factor score. However, the confidence interval [0.949, 1.056] includes 1 and is relatively narrow, reinforcing the conclusion that technology adoption, as measured in this study, did not significantly influence listing decisions among SMEs in Kenya.

Information Disclosure also showed a non-significant effect ( $B = -0.047$ ,  $p = 0.169$ ), with an odds ratio of 0.954. Although the negative coefficient suggests that higher levels of disclosure might be associated with slightly lower likelihood of listing, this effect is weak and statistically unsupported. The confidence interval [0.891, 1.020] spans 1, further confirming the insignificance. This result implies that while transparency and disclosure are conceptually important for capital market readiness, they may not be decisive factors in SMEs' current decisions to engage in public equity financing - possibly due to limited enforcement or the perception that such practices are not yet rewarded by investor behavior in the Kenyan context.

#### **4.7 Chapter Summary**

Chapter Four presented the analysis and findings of the study based on data collected from 100 SMEs in Kenya, with a focus on examining the strategic factors influencing the uptake of capital market public equity finance. The chapter began by profiling the respondents' demographics, showing a well-distributed sample in terms of gender, age, education, and firm size. Validity and reliability tests confirmed that the constructs of corporate governance, technology adoption, and information disclosure were statistically sound for further analysis. Descriptive statistics revealed that respondents generally agreed with the presence and importance of strategic practices such as board independence, ERP systems, IT policy frameworks, and structured disclosure mechanisms. Diagnostic tests, including linearity in the logit and multicollinearity, were conducted to confirm the appropriateness of the logistic regression model. Although the logistic regression analysis did not find any of the predictor variables to be statistically significant, and the model exhibited a poor overall fit, the findings provide valuable insights into the current strategic orientations of SMEs regarding equity financing readiness. This sets the stage for further exploration and refinement in the next chapter.

## CHAPTER FIVE

### SUMMARY CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the final components of the study and is structured into five key sections to provide a coherent synthesis of the research. The first section offers a summary of the study, revisiting the main objectives and outlining the key findings drawn from the data analysis. The second section critically evaluates and compares these findings with existing literature to highlight alignments or deviations from previous studies. The third section delivers the study's conclusions, directly addressing the research questions and implications of the results. This is followed by the fourth section, which outlines practical and policy-oriented recommendations aimed at enhancing the strategic uptake of public equity financing among SMEs in Kenya. Finally, the chapter concludes with a discussion on the limitations encountered during the study and proposes avenues for future research to build upon the gaps identified.

#### 5.2 Summary

##### *5.2.1 Effect of corporate governance on uptake of public equity financing*

The study sought to evaluate how corporate governance influences the uptake of public equity financing among SMEs in Kenya. Descriptive analysis revealed strong governance practices among SMEs, including board independence, existence of audit committees, and the presence of codes of ethics, with most responses showing high mean values and modal agreement. Despite this, logistic regression analysis indicated that corporate governance was not a statistically significant predictor of equity uptake, even after the variable was logarithmically transformed due to a violated linearity assumption. This suggests that although good governance structures may exist, they may not directly translate into improved access to equity financing.

These findings are inconsistent with previous literature that has emphasized the importance of governance in accessing capital markets. Al-Najjar and Hussainey (2011) found that firms with strong corporate governance structures were more attractive to equity investors due to reduced agency problems. Similarly, Musiega et al. (2013) found a positive link between board independence and access to equity capital in the context of listed firms in Kenya. These studies suggest that transparent and well-structured governance practices increase investor confidence and facilitate financing.

Contrary to these studies, the lack of statistical significance in this study may be attributed to regulatory barriers and inefficient capital markets. Many SMEs may not meet the regulatory thresholds or face cumbersome listing requirements that overshadow the benefits of governance practices. Additionally, the capital market in Kenya may not fully appreciate or reward governance practices in SMEs as compared to large listed firms. This structural misalignment limits the translation of good governance into practical financing outcomes.

### ***5.2.2 Effect of technology adoption on uptake of public equity financing***

The second objective was to assess the influence of technology adoption on SMEs' ability to access public equity financing. Descriptive statistics showed generally high levels of agreement on the presence of ERP systems, active websites, social media usage, and consultation with ICT professionals. These responses suggest that many SMEs are integrating digital technologies into their operations. However, regression analysis showed that technology adoption was not a statistically significant factor in predicting public equity uptake.

Prior studies have documented a strong relationship between technological investment and financial market access. Bharadwaj et al. (1999) argued that IT capabilities constitute a firm-level competency that enhances competitiveness and attractiveness to investors. Likewise, Mutua (2020) noted that digital transformation improves operational efficiency and

transparency, thus increasing the likelihood of SMEs meeting listing requirements. These findings emphasize the strategic role of technology in enhancing equity financing potential.

The contrasting findings in this study could again point to contextual limitations such as regulatory bottlenecks and underdeveloped capital market structures. While SMEs may adopt technology, the sophistication, scale, or strategic alignment of such adoption may fall short of investor expectations. Furthermore, Kenya's capital markets may not yet have efficient mechanisms to assess or reward technological innovation among SMEs, limiting its impact on financing decisions.

### ***5.2.3 Effect of information disclosure on uptake of public equity financing***

The final objective was to determine the extent to which information disclosure affects the uptake of public equity financing. Descriptive results revealed moderately high agreement with disclosure practices such as publishing annual reports, complying with CMA regulations, and maintaining updated websites. Despite these efforts, logistic regression analysis showed that information disclosure was not a significant predictor of equity finance uptake among the sampled SMEs.

These results are at odds with earlier studies that assert the importance of information disclosure in investor decision-making. Healy and Palepu (2001) found that transparent disclosure practices reduce information asymmetry, thus fostering investor confidence. Similarly, Kothari (2001) reported that detailed financial and non-financial disclosures positively influence the likelihood of raising external capital. These studies suggest that information transparency is crucial for attracting and retaining equity investors.

In contrast, the current study's findings may reflect structural inefficiencies in the Kenyan equity market and the limited investor base familiar with SME disclosures. Regulatory barriers and the complexity of reporting standards may also deter SMEs from disclosing in a

manner that appeals to public equity investors. Moreover, the low visibility and market perception of SMEs may dilute the effect of even robust disclosure practices, limiting their practical value in equity finance uptake.

#### ***5.2.4 Effect of size on uptake of public finance listing***

An additional analysis was conducted to determine the effect of firm size, measured by the number of employees, on the likelihood of SMEs being listed or utilizing public equity financing. Firms with more than 50 employees were classified as medium-sized (1), while those with fewer were classified as small-sized (0). Descriptive results indicated that over 50% of the SMEs had more than 50 employees, suggesting a relatively balanced representation. However, logistic regression results indicated that firm size was not a statistically significant predictor of equity financing uptake, with a p-value of 0.793 and an odds ratio (Exp(B)) of 0.898.

These findings contrast with earlier research which suggested a positive relationship between firm size and access to capital markets. For instance, Beck and Demirguc-Kunt (2006) argued that larger firms are generally more likely to have access to formal financing, including equity markets, due to better financial reporting systems, collateral availability, and visibility. Similarly, studies by Pagano et al. (1998) noted that firm size significantly influences listing decisions because larger firms can more easily absorb the costs associated with going public.

The divergence in findings may again stem from contextual and regulatory limitations in the Kenyan capital market. While medium-sized SMEs may appear better positioned in terms of capacity, they might still face substantial barriers to listing, such as regulatory compliance burdens, high listing costs, and investor skepticism. This indicates that in the Kenyan context, firm size alone is not a sufficient determinant of equity market participation unless accompanied by other strategic and structural capabilities.

### **5.3 Conclusion**

Despite high levels of compliance with good governance practices, digital engagement, and disclosure obligations reported by the respondents, the binary logistic regression analysis revealed that none of the study constructs significantly predicted the likelihood of SMEs pursuing public equity financing. This disconnect suggests that while internal organizational improvements are necessary, they may not be sufficient in a market environment characterized by regulatory complexity, limited investor appetite for SME equity, and systemic inefficiencies.

The findings challenge prevailing assumptions in the literature that corporate transparency, strong governance, and technological readiness automatically enhance access to capital markets. Instead, the study highlights the contextual realities facing Kenyan SMEs - such as rigid listing requirements, low capital market participation, and a lack of tailored financial instruments - which may undermine the effectiveness of strategic improvements in attracting equity investment. Therefore, the anticipated link between strategic internal reforms and financing outcomes remains weak without complementary market and policy reforms.

While SMEs appear to be making progress in aligning with best practices in governance, technology, and disclosure, these efforts are not currently translating into increased access to public equity financing. Addressing external structural challenges - including regulatory simplification, investor education, and market development - is essential to unlock the full value of internal reforms. The study therefore emphasizes a dual approach that incorporates both firm-level strategy and systemic capital market strengthening.

### **5.4 Recommendations**

Based on the study findings, the following recommendations are proposed to address the disconnect between internal strategic factors and the uptake of public equity financing by SMEs

in Kenya. These are divided into two main areas: policy interventions and practical recommendations for SME management and support institutions.

#### ***5.4.1 Policy recommendations***

The study recommends Reforming Listing Requirements to Accommodate SME Realities. Regulatory authorities such as the Capital Markets Authority (CMA) should consider reviewing and easing listing requirements on platforms like the Growth Enterprise Market Segment (GEMS). Many SMEs may have strong governance structures and sound operations but fail to meet rigid compliance thresholds. A tiered listing structure with more flexible entry criteria for smaller firms could promote greater SME participation in public equity markets.

Secondly, Establishment of Targeted Incentives for SME Equity Financing. Policymakers should introduce tax incentives and other regulatory benefits for both SMEs that list on public exchanges and for investors who inject equity capital into these enterprises. Such incentives would serve to reduce perceived risk and increase the attractiveness of SME investments, thereby deepening the domestic investor base.

Strengthening of Capital Market Infrastructure for SMEs would offer great support to SME's. The government and financial regulators should invest in developing dedicated market infrastructure - such as SME-focused investment banks, advisory services, and incubators - to support SMEs in preparing for public listing. Additionally, efforts to enhance investor awareness and confidence in SME equity products should be scaled through targeted education campaigns and improved financial literacy programs.

#### ***5.4.2 Practical recommendations***

There is need to Institutionalize Strategic Governance Reforms among SMEs through proper governance frameworks. SMEs should move beyond basic compliance to institutionalize strategic governance practices that align with investor expectations. This includes increasing

the diversity and independence of boards, formalizing audit functions, and integrating ESG (Environmental, Social, and Governance) practices into governance frameworks. SMEs must also continuously train directors to enhance board effectiveness.

It is also recommended that SME's align Technology Adoption with Strategic Goals. While many SMEs have adopted technology, its integration should be more strategic. Firms should ensure that digital tools such as ERP systems and cloud-based solutions are fully aligned with their financial reporting, investor relations, and operational goals. SMEs should also track the return on technological investments and communicate these outcomes transparently to stakeholders.

Further, the study recommends an Improvement in Quality and Clarity of Information Disclosure. SMEs need to enhance not just the quantity but the quality of their information disclosures. This includes providing comprehensive and timely financial reports, strategic updates, and non-financial disclosures such as corporate governance and sustainability practices. Firms should adopt investor-friendly language and formats to ensure clarity and accessibility, especially for retail investors.

## **5.5 Limitations**

While the study achieved its objectives and provided valuable insights into the strategic factors influencing SMEs' uptake of public equity financing, several limitations should be acknowledged. First, the study relied entirely on primary data collected through structured questionnaires. Although a relatively large sample of 100 respondents was obtained from various SMEs in the three NSE SME categories, there remains the possibility of response bias. Respondents may have provided socially desirable answers or misunderstood some technical questions, which could affect the accuracy and objectivity of the findings.

There was also a methodological limitation in that the study adopted a purely quantitative approach, using structured survey data analyzed through statistical models. While this allowed for objective measurement and comparison, the lack of qualitative insights may have limited the depth of understanding regarding why certain strategic factors did not influence equity financing uptake as expected. A mixed-methods approach, integrating interviews or focus groups, could have uncovered contextual or perceptual factors influencing SME financing decisions, enriching the interpretation of statistical outcomes.

### **5.6 Areas for Future Research**

Future research should consider extending the scope of this study beyond NSE categorized SME firms to include all SMEs in across all sectors Kenya, allowing for a more generalized understanding of strategic factors influencing public equity financing uptake. Additionally, incorporating a mixed-methods approach that combines both qualitative and quantitative data would offer richer insights into the contextual and behavioral dynamics that affect SMEs' access to capital markets. To address potential response biases and improve data reliability, future studies could utilize triangulated data sources, including secondary financial records and interviews with capital market stakeholders. Moreover, researchers may explore other potential variables—such as investor perceptions, market infrastructure, and regulatory readiness—that could influence the uptake of equity financing, thus contributing to a more holistic understanding of SME financing behavior in emerging markets.

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## APPENDICES

### Appendix I: Questionnaire

Please complete each of the questions by marking/Ticking/shading in the appropriate boxes or writing in the spaces provided

#### SECTION A: GENERAL INFORMATION

##### 1. Gender

Male {1 }

Female {0 }

##### 2. Age in Years

20 – 30 {1 }

30 – 40 {2 }

40 -50 {3 }

50- 60 {4 }

60 &Above {5 }

##### 3. How many employees do you have in your firm?

Less than 10 [ 1 ]

Between 11-20 [ 2 ]

Between 20-30 [ 3 ]

Between 30-40 [ 4 ]

Between 40–50 [ 5 ]

Above 50 employees [ 6 ]

##### 4. Highest level of education

Primary School {1 }

Secondary School {2 }

College Diploma {3 }

University Undergraduate {4 }

Post graduate {5 }

**5. What is your Level of Management?**

Top-level Management {3 }

Middle Level Management {2 }

Support Staff {1 }

**6. What the annual Gross turnover of the company was as reported in 2024?**

Below KES 5 million [ 1 ]

Between KES 5 million and KES 50 million [ 2 ]

Between KES 50 million and KES 100 million [ 3 ]

Between KES 100 million and up to KES 500 million [ 4 ]

Above KES 500 million [ 5 ]

**7. Work Experience (Number of years you have served in the organization)**

Below 3 yrs. {1 }

3-6 yrs. {2 }

7-9 yrs {3 }

10-12 yrs. {4 }

Above 12 yrs. {5 }

**8. What is/ are your major source(s) of financing? (Tick where appropriate)**

Savings { 1 }

Bank Loan or loans from other financial institutions { 2 }

Borrowings from friends/ relatives { 3 }

Public Equity Finance { 4 }

Private Equity Finance { 5 }

**Other (Specify).....**

**9. Which Category/Segment does the firm belong to?**

Alternative Market Segment { 1 }

Growth Enterprise Market Segment { 2 }

Ibuka Incubation Program { 3 }

**PART B: CORPORATE GOVERNANCE**

Using the Key below, indicate to what extent you agree with the following statements on Governance? *Key:1 Strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree*

Attribute	1	2	3	4	5
Company Audited accounts are approved by the Board of Directors and signed by at least two directors.					
The firm has representation of minority shareholders on the board.					
The firm holds AGM on a regular basis.					
The board have representative from institutional investors.					
The company has a code of ethics.					
The company Board of directors usually has independent non-executive director(s).					
There is a maximum number of terms that a director can serve.					
The company offers induction and/or regular training to members of the Board.					
The positions of the CEO/Managing Director and Board Chairperson held by the different individuals.					
The firm has well constituted audit committee of the board.					
Independent non-executive directors chair the audit committee.					
A section detailing the company's performance in applying corporate governance concepts is included in its annual report.					
The company has adequate internal controls in place that are properly documented and periodically reviewed.					
The company facilitates voting by Proxy.					
The company usually publish its annual reports within five months of the end of the financial year.					
The company has a regularly updated website and currently has updated financial results and announcements.					
Within a month of the half-year ending, the corporation releases its half-yearly reports.					

## PART C: TECHNOLOGY ADOPTION

To what extent do you agree with the following Statements; *Key:1 Strongly Disagree, 2*

*Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree*

Attribute	1	2	3	4	5
The firm has a fully functional Enterprise Resource Planning (ERP) system.					
The Firm always involves ICT professionals in all technology related matters.					
The firm has always sought advice on new technology from professionals,					
New technology adoption has a great impact on SMEs' ability to attract and secure equity financing.					
The use of artificial intelligence (AI) in financial analysis affects how investors make decisions when financing SME equity.					
The company has committed and undertaken Investment in technology including resource allocation in the last Five years.					
The Firm has a well-structured and documented method of adopting new technology,					
Adoption of technology contributes greatly to attracting equity investors in a firm.					
The Firm involves Kenya Bureau of Standards (KBS) and other relevant regulatory bodies and stakeholders in new products and processes.					
Social media facilitates and improves the information flow to investors.					
Companies that make heavy use of technology are more likely to list on the NSE.					
When promoting the use of ERP system, the firm incorporated digital transformation into its goals.					
The firm recruitment process is being done online					
The company has a functional website that is continuously and regularly updated.					

**PART E: INFORMATION DISCLOSURE**

To what extent do you agree with the following Statements; **Key:1 Strongly Disagree, 2**

**Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree**

<b>Attribute</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Material Information- The company discloses information on a regular basis, including financial data, new product launches, legal problems, and leadership changes.					
Financial Statements- The company regularly releases financial reports that include cash flow, income, and balance sheets.					
Compliance- The company complies completely with the Capital Markets Authority's specific disclosure requirements and regulations.					
The company releases its annual report, which is a thorough summary of the performance of the business over the preceding fiscal year. It frequently includes details on strategy, management debate and analysis, and CSR programs.					
Press releases are frequently used by the company to promptly disclose significant news or developments.					
Information about the company, such as sustainability reports, corporate governance procedures, and investor relations materials, are publicly shared by the company through special parts of their websites.					
Increased investor trust in small and medium-sized businesses is made possible by information disclosure.					
Disclosures made in response to regulatory requirements are unduly complicated and challenging to comprehend.					
A lack of information disclosure may cause harm to unwary investors.					

**Thank you for your Response**

## Appendix II: List of Selected SME Firms

### Ibuka Program Hosted Companies

Company	Website
1. Appropriate Design Limited	<a href="http://www.appropriatedesign.co.ke">http://www.appropriatedesign.co.ke</a>
2. APT Commodities Limited (APTC)	<a href="http://aptteas.com/">http://aptteas.com/</a>
3. BimaNet	<a href="https://www.bimanel.co.ke">https://www.bimanel.co.ke</a>
4. Blue Nile Rolling Mills Ltd	<a href="https://www.bluenile-group.com">https://www.bluenile-group.com</a>
5. Buzz Afrique Limited	<a href="http://www.buzzafrique.com">http://www.buzzafrique.com</a>
6. Capital Power	<a href="https://www.capitalpower.co.ke/">https://www.capitalpower.co.ke/</a>
7. Ceven Limited (Patapawa)	<a href="https://patapawa.com">https://patapawa.com</a>
8. Globetrotter Travel Solutions	<a href="http://www.globetrotter.com">http://www.globetrotter.com</a>
9. <i>Homeboyz Entertainment</i>	<a href="http://www.homeboyz.co.ke">http://www.homeboyz.co.ke</a>
10. Kawsar Auto Spares Ltd	<a href="http://www.kawsarauto.com">http://www.kawsarauto.com</a>
11. Masumali Meghji Insurance Brokers Ltd	<a href="https://www.mmltd.co.ke/">https://www.mmltd.co.ke/</a>
12. Merican Ltd	<a href="https://www.mericanltd.com/">https://www.mericanltd.com/</a>
13. Metropolitan Health Services	<a href="http://www.metro-hospital.com">www.metro-hospital.com</a>
14. Moad Capital	<a href="https://www.moad.capital/">https://www.moad.capital/</a>
15. Mookh Africa	<a href="https://mookh.com">https://mookh.com</a>
16. Myspace Properties Ltd	<a href="https://www.myspace.co.ke/">https://www.myspace.co.ke/</a>
17. Naveah Capital Agency Ltd	<a href="http://www.naveahinsurance.co.ke">http://www.naveahinsurance.co.ke</a>
18. Nile Capital Insurance Brokers Ltd	<a href="http://www.nilecapital.co.ke/">http://www.nilecapital.co.ke/</a>
19. Polygon Logistics Ltd	<a href="http://www.polygon.co.ke">http://www.polygon.co.ke</a>
20. Prafulchandra & Brothers Ltd	<a href="https://www.pblke.com">https://www.pblke.com</a>
21. RentCo	<a href="https://www.rentco.co.ke">https://www.rentco.co.ke</a>
22. Safaricom Investment Cooperative	<a href="https://sic.co.ke">https://sic.co.ke</a>
23. Saracen Media Ltd	<a href="https://www.saracenmedia.com/">https://www.saracenmedia.com/</a>

- 24. TSG Realty Ltd <http://www.tsgholdings.co.ke>
- 25. *Tusker Mattresses Limited* <http://www.tuskys.co.ke>
- 26. Vehicle and Equipment Leasing Limited (VAELL) <http://www.vaell.com>
- 27. Unity Homes
- 28. Ashley's Kenya Limited
- 29. RFH Healthcare
- 30. Down To Earth Technologies

#### **NSE ALTERNATIVE MARKET SEGMENT LISTED FIRMS**

- 1. Deacons' east Africa plc
- 2. Eaagands LTD
- 3. Express Kenya plc
- 4. Kapchorua Tea Kenya PLC
- 5. Kenya orchards ltd
- 6. Longhorn publisher's plc
- 7. The Limuru Tea Co. Plc Ord 20.00
- 8. Trans century plc
- 9. Williamson Tea Kenya Plc

#### **GROWTH ENTERPRISE MARKET SEGMENT**

- 1. Flame tree group holdings ltd
- 2. Home Africa ltd
- 3. Homeboyz entertainment plc
- 4. Kurwitu ventures ltd
- 5. Nairobi Business Ventures ltd